EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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FRANCE
Premium battles ahead of 1992
Page 17

World News

Boy's death in N Ireland raises tensions

British politicians called for calm in Northern Ireland as the death of a 15-year-old schoolboy raised tensions in the run-up to the 20th anniversary of British troops arriving in the province. Page 18

Greenpeace rejoices
Greenpeace, the environmental organisation, claimed victory after a Russian ship was refused permission to unload a Canadian consignment of hazardous waste at Tilbury docks. Page 18

Kaifu appointments
Toshiki Kaifu, Japan's third Prime Minister this year, appointed Ryutaro Hashimoto to the key Finance Ministry. Page 18

Palestine proposals
The Israeli Labour Party has formally adopted a series of positions on proposals for peace in the occupied West Bank and Gaza Strip which meet key Palestinian demands but are at odds with its right-wing coalition partner, Likud. Page 4

Soviets press US
The Soviet Union said a superpower agreement limiting nuclear test explosions was possible this year but the US has to take decisions more quickly.

Pirates attack
Pirates in the Gulf of Thailand hacked to death more than 40 Vietnamese men and abducted women and children before sinking a refugee boat leaving only 13 survivors, the UN High Commissioner for Refugees said.

Mother sentenced
A New Zealand mother sentenced to hang for drug trafficking had her sentence commuted to life imprisonment by Malaysia's Supreme Court.

Eight killed on bus
A bomb killed at least 15 people on a bus going from the Punjab to New Delhi in India. Police blamed Sikh extremists. Page 4

Bhopal protest
At least 25 people, mostly victims of the Bhopal gas disaster in which 3,000 died in 1984, were injured in clashes with police during a protest against the US-owned Union Carbide Corporation.

Attorney guilty
Robert Wallace, a one-time personal attorney to Edwin Meese, the US Attorney-General under President Reagan, was convicted by a federal court jury of racketeering.

Afghan guerrilla dies
A 75-year-old leader of the Mujahideen, Haji Abdul Latif who was known as the Lion of Kandahar, died after being poisoned, rebels said.

Tube strike off
British rail unions have told London Underground staff to work normally today following settlement of a dispute that stopped the tube network for 14 days over the last four months. Page 7

Drug games
Police in the US found a playground where children operated a make-believe drug ring offering bags of grass clippings and sugar and recording pretend transactions on a ledger *and on scraps of paper.*

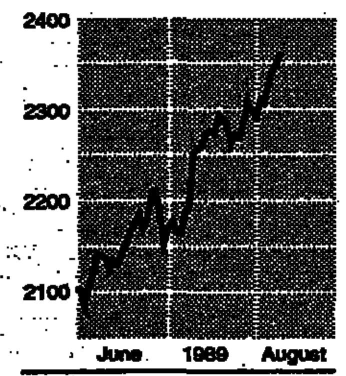
Business Summary

Desoutter shares jump on bid by Atlas Copco

DESOUTTER Brothers (Holdings): shares in the leading London-based maker of power tools, jumped 142p to 683p after Atlas Copco, Swedish mining, construction and industrial equipment maker, said it was prepared to pay £88.7m ($147m) for the company. Page 19

SPECULATORS' interest swamped any moves to let the market drift downward, and the FT-SE Index gained a 12.3 points on the day to close at 2,360.6. Speculative interest has been fuelled by the prospect of re-investment of the proceeds of the Consolidated Gold Fields and Plessey takeovers.

FT-SE 100 Index



BMW, West German car and motorcycle maker, produced its first half-year profit figures, showing a 14.4 per cent rise to DM199m ($105m) in parent company earnings. Page 21

AMSTERDAM-Rotterdam Bank, second-largest commercial bank in the Netherlands, boosted first-half earnings by 24 per cent to Fl 339m ($159m) from Fl 273m. Page 21

VOLKSWAGEN, West German car manufacturer, promised the European Commission to make it as easy for Britons to order right-hand-drive cars from continental Europe as it was for them to go through local VW/Audi dealers in the UK. Page 2

IMPALA Platinum, world's second-largest platinum mining company, lifted sales by almost a third to R2.09bn ($780m) in the year to June. Page 20

GENCOR, South Africa's second-largest mining house, acquired a 30.7 per cent stake in the state-controlled Alusaf aluminium smelter for an effective R270m ($100.8m). Page 20

SHUI On, Hong Kong property group, is to go private in a deal that gives it a price tag of around HK$1.9bn ($243.6m). Page 20

KEPCO, state-owned South Korean electric utility, will be listed on the Korea Stock Exchange in a partial privatisation which could value the company at $22bn. Page 20

CANADIAN Pacific, diversified conglomerate recently the subject of widespread takeover speculation, said second-quarter earnings fell to C$136.3m ($116.4m) or 43 cents a share, compared with C$230.4m or 76 cents in the same period in 1988. Page 20

NEWMONT Mining, debt-heavy US gold and coal producer partly owned by Hanson of the UK, said net profits for the second quarter fell to $7.2m or 11 cents against $19.4m or 29 cents a share a year earlier. Page 20

ASEA Brown Boveri, electrical engineering group, said pre-tax profits for the first six months rose 70 per cent to $390m, up from $229m for the first half of 1988. Page 21

NOVO-Nordisk, Danish pharmaceuticals group, created by the merger of Novo Industri and Nordisk Gentofte, increased first-half sales. Page 21

MARKETS

STERLING
New York lunchtime:
$1.6275
London:
$1.617 (1.626)
DM3.0725 (3.075)
FFr10.385 (10.3975)
SFr2.645 (same)
Y225 (225.5)
£ index 91.9 (92.1)

GOLD
New York: Comex Dec
$(373.6)
London:
$365.5 (365.3)

N SEA OIL (Argus)
Brent 15-day Aug
$(17.075)

DOLLAR
New York lunchtime:
DM1.8825
FFr6.3965
SFr1.6305
Y138.8
London:
DM1.9005 (1.8905)
FFr6.4225 (6.395)
SFr1.6355 (1.6265)
Y139.2 (138.75)
$ index (69.6)
Tokyo close: Y138.85

US LUNCHTIME RATES
Fed Funds $8\frac{7}{16}$%
3-mo Treasury Bills:
yield: 8.194%
Long Bond:
$108\frac{1}{2}$
yield: 8.107%

STOCK INDICES
FT-SE 100:
2,360.4 (+12.3)
FT Ordinary:
1,972 (+9.7)
FT-A All Share:
1,200.27 (+0.5%)
FT-A long gilt yield index high coupon:
9.33 (9.31)
New York lunchtime:
DJ Ind. Av.
2,700.3 (+1.13)
Tokyo: Nikkei
34,859.27 (+99.79)

LONDON MONEY
3-month interbank:
closing $13\frac{13}{16}$%
($13\frac{25}{32}$-$13\frac{13}{16}$)

Chief price changes yesterday: Page 18

Suicide attack wounds Israelis

By Hugh Carnegy in Jerusalem and Lionel Barber in Washington

A SUICIDE car bomb attack, apparently in revenge for Israel's abduction of a Shia Moslem cleric, wounded five Israeli soldiers in south Lebanon yesterday, underscoring the tensions which surround the Lebanese hostage crisis.

In Washington, President George Bush signalled flexibility on the holding of talks to free hostages in Lebanon, and US officials qualified previous Administration statements which had rejected outright any link between a possible release of the captives and the eventual unfreezing of Iranian assets.

A group called Islamic Resistance claimed responsibility for the south Lebanon attack and called it a gift to the late Iranian leader, Ayatollah Ruhollah Khomeini.

In Beirut, Sheikh Sobhi Tofeili of the Hizbollah (Party of God) organisation said yesterday's attack was in retaliation for the kidnapping by Israel last month of Sheikh Adbel Karim Obeid. It was carried out by a friend of the captured leader, said Sheikh Tofeili, who threatened more such incidents.

The Israeli army said two men in a pick-up truck carrying 200kg of explosives were blown up when they launched the attack on an Israeli armoured patrol south of the town of Marjayoun.

The Israelis had been on alert for retaliatory action by Shia extremists in the security zone they occupy in south Lebanon since they abducted Sheikh Obeid, sparking off the recent surge of international activity over the 17 Western hostages held by militant Moslem groups in Lebanon. In the past, Israel has routinely replied with punitive air strikes.

Yesterday's events illustrated the difficulties facing those engaged in diplomatic attempts to resolve the hostage

Continued on Page 18
Israel ready for long haul, Page 4

Wreckage of the vehicle in which Israeli soldiers were injured after yesterday's car bomb attack

US economy sluggish and output falling says Federal Reserve

By Anthony Harris in Washington

THE US FEDERAL RESERVE *yesterday* issued its most gloomy assessment of the US economy for two years, describing growth as sluggish, with output falling in some areas.

The so-called "Beige Book" summarises reports from the regional Federal Reserve banks, and is the basic business assessment used at policy meetings of the Federal Open Market Committee, the central bank's main policy-making body.

The overview to the report, unusually, makes no mention of any inflationary pressures. This helps explain the recent statement to Congress by Mr Alan Greenspan, chairman of the Federal Reserve, that the Fed now regards recession as a more immediate risk than inflation, and appears to give a clear signal for further easing of monetary policy.

There was little reaction in the financial markets, which had expected a negative report following the Mr Greenspan's remarks.

The report reflects information gathered up to August 1, and appears to contradict the impression in the markets that activity might have revived since June based on figures published last week for employment and manufacturing sales.

Nationally the report shows sluggish demand growth, except in Texas, which appears to be recovering from its own deep recession.

Manufacturing is experiencing slow growth in some districts and declining putput in other, with vehicle, steel and electronic output especially weak and machine tool orders down from last year.

The car market is generally depressed, with swollen stocks and depressed profit margins. Retail sales are growing slowly enough to prompt some cutting of orders, while export and capital goods demand is growing less strongly than before.

Credit demand is patchy, and manufacturing output is growing slowly in some areas and declining in others.

The farm sector offers the main bright spot, with good *harvests expected in most* regions. The lumber industry is doing well in the east, thanks to foreign demand, but is hampered by logging restrictions and widespread fires in the western timber areas.

The construction and housing market is mixed, strong on the west coast, the Chicago area and in the New york suburbs, but slow in Texas, the north-east and metropoliatan New York, and declining elsewhere.

There has been little response to falling mortgage rates. The sharpest slowdown in activity appears to be in the broad north-east region, stretching from the northern New England states to Pennsylvania. Retail sales in the region are well below planned levels, the real estate market is glutted, and more manufacturers report fall in output than report rises, with orders weakening further in July.

In the "rust belt" – America's industrial Midwest – activity remains somewhat stronger, buoyed by continued high output of capital goods, but home appliances makers expect sluggish sales. Businessmen in the region expect continued slow growth, but no recession.

Reports from the seaports show that export activity has been outpacing imports, and this trend is expected to continue.

Currencies, Page 38; World Stock Markets, Section II

Bush signs rescue for savings and loans

The largest federal rescue in US history was launched yesterday as President George Bush signed legislation to reorganise the US savings and loan industry.

At a White House ceremony, Mr Bush said it was "a first, crucial step towards restoring public confidence."

The legislation provides funds to help close or merge hundreds of thrifts which have run into trouble through a mixture of high interest rates, falling property prices, mismanagement of investments and, in many cases, fraud.

Page 6

Parties willing to talk with Walesa

By John Lloyd in Warsaw

THE TWO junior parties which have supported the Communists' rule in Poland for 40 years said yesterday that they were willing to talk to Mr Lech Walesa, the Solidarity leader, about forming a governing coalition excluding the ruling Polish United Workers Party.

Such a coalition would be the first non–Comunist government in the Soviet bloc. It would command a majority of seats in the Sejm or lower house of the Polish parliament – where the PUWP has only 38 per cent of the 480 seats. Mr Walesa first floated the notion of such a government on Monday.

The struggle between Solidarity and the PUWP for the allegiance of the two smaller parties, the Peasants' Party and the Democrats, and thus for the burdensome prize of the Government of Poland, is now open and fierce.

It was not clear last night, however, how far the junior coalition parties were using the novel position of being wooed by two suitors (rather than being taken for granted by one) to bargain for further concessions from the PUWP.

The Peasants' Party executive said it was ready to talk to Mr Walesa. The Democrats said it was "open and ready to join any type of nationally–based government."

Both the Peasants and the Democrats are owe their existence to the Communists whose patronage they enjoyed throughout the years of martial law and suppression of Solidarity, as well as during earlier decades when independent political life was impossible.

Some members, however, in the larger Peasants' Party and Democratic Party are pressing for independence from their historic allies. Some 40 Peasants' deputies initially voted against the nomination of General Czeslaw Kiszczak as Prime Minister last month – and were only brought into line by *the promise of substantial government posts.*

The Peasants' Party was split over the issue. Its parliamentary group said last night it was no longer prepared to support a government led by Gen Kiszczak and criticised recent statements of the loyalty to the Communists by the Peasant leader Mr Roman Malinowksi.

The PUWP Politburo on Tuesday criticised the Walesa initiative as breaching the Round Table accords between the governing coalition and Solidarity, signed in May. Under the agreement Solidarity accepted that government for the next four years would be dominated by the Communists. The Politburo statement said the proposal was aimed at "destabilising" the coalition and that it would worsen the Polish economic crisis.

Gen Kiszczak's continuing efforts to form a Government are proving strenuous. The Solidarity daily newspaper reported yesterday that Mr Mieczyslaw Wicek, the Industry Minister and one of the radical stars of the previous Rakowski Government, had turned down the General's offer to continue at his post.

Mr Wicek, a millionaire industrialist in his late 50s, was best known in his brief period in the Cabinet for privatising the Gdansk shipyard and for his cancellation of a project to make a new medium-sized Polish car.

Thousands strike over Estonian voting law

By James Blitz in Moscow

ABOUT 10,000 ethnic Russian workers yesterday went on strike in the capital of the Estonian republic, Tallinn, in protest against a new law which disbars many of them from voting in elections.

The law, passed on Tuesday by the Estonian Supreme Soviet, sets a minimum residency requirement in the republic of two years for voters in local elections and five years for candidates standing for local government offices.

This would cost many of the 300,000 ethnic Russians in Estonia their voting rights because they are relatively recent settlers in the republic. The Estonian Supreme Soviet intends to enact further legislation to apply the move to national elections.

According to Mr Sher Leviy, the head of the Novosti press agency in Tallinn, workers in 19 state enterprises and several transport organisations failed to turn up for work yesterday. The labour force in other enterprises was also meeting last night to consider taking strike action today.

However, the effect of the strike is understood to have been significantly reduced by the response of ethnic Estonians, who flocked to Tallinn from neighbouring towns to man buses and factories.

The strike leaders are calling for suspension of the new electoral legislation and another recent law which would make Estonian – rather than Russian – the republic's official language.

They say that if these demands are not granted, their

Continued on Page 18

Sea Containers may sell assets as defence against hostile bid

By Andrew Hill

SEA CONTAINERS, which owns Sealink British Ferries, may sell some of its ferry routes and containers, and distribute the proceeds to shareholders, as a defence against the hostile bid for the group.

Mr James Sherwood, Sea Containers' president, said yesterday he would be prepared to sell assets to the predators. Stena, a Swedish ferry operator, and Tiphook, a UK container rental group, are offering $824m in cash for the Bermuda-registered company.

Until recently the bid, launched in the US nearly three months ago, has been bogged down in the Bermuda Supreme Court, which is considering the legality of some of Sea Containers' defensive moves.

A week ago, Stena and Tiphook discussed buying some of the target's containers and ferry routes at a preliminary meeting with the group. Stena is also considering selling all or part of its 7.1 per cent stake in the Bermuda group – a move which would push down Sea Containers' price.

Mr Sherwood said yesterday Sea Containers might sell 100,000 dry cargo containers and 11 container ships, and would also consider the sale of the Harwich-Hook of Holland cross-Channel route.

Stena bought a majority stake in Sealink's Dutch partner on the Harwich-Hook route in June. If Stena was not interested in the route, said Mr Sherwood, Sea Containers would be prepared to sell another crossing.

Mr Sherwood said he could not put a price on the overall package, but the deal would leave shareholders with a stake in the continuing business and a cash pay-out worth between $70 and $100 a share. That compares with $50 a share offered by Tiphook and Stena, and a market price of about $64 in New York.

"We're still ready to beat off a Stena/Tiphook bid, but if they have a chance of succeeding then we will just weigh in with a recapitalisation," he said. The group was no longer considering the alternatives of a leveraged buy-out or a "white knight" counter-bid, he added.

Sea Containers also announced net earnings for the first half of the year had risen to $13.1m, compared with a loss of $7.78m in the equivalent period, before the gain on the sale of its London headquarters. Mr Sherwood forecast an increase in earnings per share for the year to between $6.50 and $7.00 per share.

The Tiphook/Stena bid would break Sea Containers in two. For its $426m share of the offer, Tiphook would get the 287,000 containers and chassis. Stena would get the rest – including Sealink's 60 or so ferries, hovercrafts and catamarans, plus 11 containerships, seven ports and the Orient-Express stake.

The bid closed officially in New York last night, but will almost certainly be extended.

London Stock Exchange, Page 31

CONTENTS

Arafat emerges stronger after stormy Fatah conference

Yassir Arafat (left) has beaten off his critics and emerged in unprecedented command of his mainstream Fatah faction of the PLO at the end of a week of frequently stormy meetings in Tunis.
Page 18

EUROPEAN NEWS

New Democracy party alleges big discrepancies in prices

Greek probe into fighter purchase

By a Correspondent in Athens

GREECE'S PARLIAMENT has voted unanimously to set up a 12-member fact-finding committee to probe the circumstances surrounding the previous Socialist Government's purchase of 80 French and US fighter aircraft.

Mr Constantine Mitsotakis, leader of the conservative New Democracy party which proposed establishing the committee, said the Socialists' handling of the purchase was the "biggest scandal" in their eight-year rule in Greece and the "biggest political blunder" by Mr Andreas Papandreou, the country's former Prime Minister.

"There are not only political but also criminal responsibilities," asserted Mr Mitsotakis, whose party formed a temporary administration, along with a Communist-dominated grouping, following inconclusive elections in June.

The new Government has successfully sought authority from Parliament to investigate a $200m banking scandal which broke out under the Socialists as well as illegal wire-tapping and the fraudulent sale of Yugoslav grain.

The ad hoc "fact-finding committee" on the aircraft, established following a stormy overnight parliamentary debate, does not enjoy the status of an "investigating committee" which will be needed if the parliamentary immunity of former ministers is to be lifted.

However, Mr Mitsotakis said the ad hoc panel – which will have only three weeks to report – would prepare the ground for an investigating committee and save it valuable time.

The Communist party initially opposed New Democracy's demand for a probe of the aircraft purchase but later agreed to the establishmnent of a lower-level committee after being presented with further evidence.

Opening the debate, New Democracy Deputy Mr John Paleokrassas termed the purchase of the 40 US F-16 and 40 Mirage 2,000 aircraft the "scandal of the century", saying it cost the Greek tax-payer an unnecessary Dr260bn (£1bn).

Mr Paleokrassas said that there was evidence implicating Mr Papandreou personally.

He said negotiations on the aircraft deal had reached a near standstill at the end of 1984 but were concluded speedily following visits to Athens by the financier Mr Adnan Khashoggi to Athens in November 1984.

A photograph showing Mr Khashoggi together with former Socialist minister Mr Akis Tsohatzopoulos was shown to Parliament and will form part of the records to be made available for the investigating committee.

Some of the most striking evidence presented in Parliament by the New Democracy party were documents relating to the large discrepancies over initial and finally agreed prices for the purchase of both types of aircraft.

In 1981 the first Socialist government under Mr Papandreou had an offer to pay FFr94m for each Mirage and $15.5m for each F-16.

When the contracts were signed in 1985 and early 1987 the prices had jumped to FFr192.1m francs and $23.2m for the French and US aircraft respectively.

New Democracy's charges were rejected by former Socialist defence ministers Mr Antonis Drosoyannis and Mr Yannis Haralambopoulos who said that New Democracy's only objective was to smear Mr Papandreou and accuse him of receiving kickbacks.

The decision of Socialist deputies to back the establishment of a committeee apparently reflected their confidence that Mr Papandreou can be vindicated.

It also reflected and an earlier decision by the party to support the investigation of all recent arms purchases, including those made by the 1974-81 New Democracy government.

Adnan Khashoggi (left) named in connection with purchase of F-16s and Mirages

VW yields to British bargain hunters

By David Buchan in Brussels

THE EUROPEAN Commission has intervened to compel Volkswagen to make it as easy for Britons to order right-hand-drive cars from the Continent as it is for them to go through their local VW/Audi dealers in the UK.

The move responds to recent complaints from several British consumers who wanted to take advantage of generally lower car prices, at least for export, in certain Continental member countries like Belgium and Denmark, but found VW extremely slow to meet their orders.

The West German car maker has now promised to give equal priority to orders wherever in the European Community these are placed, Brussels officials announced yesterday.

The Commission's aim is to prevent national fragmentation of the EC car market, allowing different prices to be charged.

Insulation of the UK car market from the continent is, of course, made all the easier by the idiosyncratic British habit of driving on the opposite side of the road to the rest of the Community.

This gives the manufacturer particular power to control the market, because a Belgian VW dealer, for instance, can rarely supply a right-hand-drive model out of his current stock and has to pass the request on to the manufacturer.

Brussels has long insisted on the need for so-called parallel imports to compete with goods imported and distributed through dealerships and franchises, in order to achieve maximum cross-border competition.

The general issue remains unresolved in certain other fields, such as the ability of British book publishers to defend their traditional "exclusive" UK sales rights against parallel imports of rival US editions sold in the rest of the EC.

The Commission also announced yesterday that it had put a stop to resale price maintenance on cars in Spain. The country's vehicle manufacturers and importers had now agreed, according to EC officials, to inform their agents and dealers that list prices for cars and spare parts were only recommendations, and not binding.

Dealers, who previously were obliged, or felt obliged, to stick to list prices, could now feel free to charge lower prices.

EC consumer spending likely to rise 50% in five years

By Ralph Atkins, Economics Staff

THE SPENDING power of European Community consumers will increase by more than 50 per cent in the next five years to a level almost as great as in the US, according to a report yesterday.

Strong growth in spending will be accompanied by striking changes in patterns of consumption, the Economist Intelligence Unit (EIU) forecasts. EC consumers will spend more on homes, health, leisure and on "green and healthy products."

Goods and services tipped for fast growth include washer-dryers, compact disc players, satellite television equipment, prepared foods and low calorie drinks. Increasing demand for nannies in the UK and Italy is also highlighted.

The proportion spent on alcohol and tobacco is expected to decline.

EIU says total consumer spending in the EC reached $2,800bn last year — more than 80 per cent higher than five years previously. By 1993, spending is expected to have risen to $4,390bn.

As a proportion of US consumers' expenditure, the spending power of the 320m Europeans is expected to rise from 87 per cent in 1987 to 97 per cent by 1993.

The report highlights a series of factors, besides the economic outlook, which will affect the composition of spending – including the impact of a single market from 1992.

A greater proportion of older people will boost demand for more expensive, higher quality items. Mass-produced goods, aimed at the young, will fare less well.

Quality, individualism, luxury and convenience are expected to become increasing important as incomes rise.

EIU says strong growth in spending on leisure goods will continue. Most households have at least one television set but there is still growing demand for second and third sets. Sales of personal computers and video cameras will also increase.

Spending on housing is forecast to increase in importance – despite it being regarded as a necessity rather than a luxury. Ambitions to live in and own bigger and better houses are "very strong," EIU says.

Housing expenditure as a proportion of total spending is forecast to rise from 14.1 per cent in 1988 to 14.7 per cent by 1993.

The outlook for durables goods is mixed. Smaller machines, such as combined washer-dryers, which fit into cramped kitchens, are likely to do better. Dishwashers and microwave ovens are expected to be growth areas.

The report forecasts "less dynamism" in the fridge and freezer market. Household services such as laundering and drycleaning are expected to receive a small boost as more women enter the labour market.

In the food sector, EIU identifies a trend towards eating less meat, fats and sugar and more fish, fruit and vegetables. There are variations between countries, however. Meat consumption is still high in West Germany and Denmark and the extent of health and environmental awareness varies greatly.

Between 1988 and 1993 spending on food is forecast to grow, in real terms, at about the same rate as in the past five years. As a proportion of total spending it is expected to fall from 17.7 per cent in 1988 to 16.3 per cent in 1993.

Consumer spending patterns in the European Community – Forecast to 1993. The Economist Intelligence Unit, 40 Duke Street, London W1A 1DW. UK and Europe £150, North America $295, rest of world £153.

EUROPEAN COMMUNITY CONSUMER SPENDING
($bn,current prices)

	1988**	1989*	1990*	1991*	1992*	1993*
Food	502	491	586	654	682	716
Non-alcoholic beverages	11	11	14	16	17	18
Alcoholic beverages	39	39	46	51	53	56
Tobacco	53	52	61	67	69	71
Clothing & Footwear	226	224	270	304	324	347
Housing	399	402	490	559	597	643
Energy	118	116	138	155	165	176
Furniture,furnishings & equipment	180	178	216	244	261	280
Household operation	57	56	67	75	80	85
Health	146	145	177	205	220	236
Leisure & education	242	242	294	333	356	384
Personal transport	140	134	159	181	197	214
Hotels & catering	202	205	249	279	297	320
Personal care	58	58	68	77	82	88
Other expenditure	462	463	573	655	701	756
Total	2832	2814	3407	3854	4099	4390

*Forecast
**Estimate

Source: Economist Intelligence Unit

SPD's 'eco-tax' plan bridges the Bonn credibility gap to trigger national debate

WHEN SOMEBODY recently leaked the West German Social Democrats' plan to raise energy taxes by more than 30 per cent, if returned to government at the end of next year, the idea was widely scorned - even by some of their friends in the trade unions.

Three weeks later there is almost a national consensus on the issue, and when the 22 members of the Social Democrats' "Progress 90" working group meet tomorrow to work out the finances of their plan for government they can at least claim to have triggered the first national debate in Europe on "harnessing the power of the market for environmental reconstruction", as their working paper puts it.

In plain language this central feature of the Social Democratic Party (SPD) programme means sharply raising taxes on energy consumption, to preserve fossil fuels and reduce the damaging emissions, and making sure the "polluter pays" through high levies.

Few details of the "eco-tax" plan are yet available but the motor car – the single greatest contributor to carbon monoxide pollution – is a central target of the reforms. Mr Harald Schaefer, SPD ecology spokesman, says that petrol tax would be increased by more than 30 per cent, but at the same time car tax would be abolished to concentrate financial penalties on those who drive most.

The petrol tax increase should raise about DM32bn (£10.4bn), and extra duties on non-recyclable drinks packaging a further DM3bn, while the abolition of car tax would only cost DM9bn. The extra money would be used to reduce tax for low-income earners and increase child benefit.

The Bonn opposition's plan for an energy tax was recently a subject of scorn when leaked, but, as David Goodhart reports, it is winning many friends.

For companies, which already complain that they have to bear amongst the highest energy costs in Europe, and on average 25 per cent higher than in France, a new tariff structure is proposed to encourage energy saving in contrast to the present system which reduces prices the more energy is used.

The "eco-tax" working paper acknowledges that the proposed reforms may produce special problems for, amongst others, energy intensive industrial sectors, the haulage industry, and car commuters, who may all be granted certain immunities.

Apart from the immediate outcry against the plan to introduce a speed limit of 120kph, the most serious shortcoming of the "eco-tax", as seen from industry and the other political parties, is the failure to take into account both the extra cost burden on German industry and the EC's open energy market plan which will lower, not raise, energy prices.

Nonetheless, such is the penetration of Green ideas in Germany that the proposals have been quite respectfully treated by industry. Mr Tyll Necker, head of the Association of German Industry, has invited the SPD for talks on the subject, and Mr Eberhard Weise, a board member at chemicals firm Bayer, has accepted at least the principle of using the tax system for environmental ends.

Even the Government has acknowledged there might be some sense in the ideas, which is perhaps not that surprising as it recently pursued a similar line of thought by extending tax breaks for fitting emission-reducing catalytic converters to include small cars too.

Mr Otto Schlecht, a state secretary in the Economics Ministry, said that the proposals should be looked at and also revealed that his Ministry was undertaking research into the effects of taxes on energy use (as is the International Energy Agency in Paris), which provoked speculation about national "concerted action" over the theme. Mr Martin Gruener, a state secretary in the Environment Ministry, welcomed the idea of switching car taxes onto petrol.

Mr Hermann Rappe, a leading member of the SPD and head of the chemical union, IG Chemie, has been one of the harshest critics of the lack of an EC dimension in the plans. His thoughts are also echoed by Mr Helmut Sihler, head of the Chemical Industry Association, who said: "The proposals treat Germany as if it were an island." Mr Sihler also points out that the biggest divide in European energy thinking lies between the French and German socialist parties. "The Germans want high energy costs and no nuclear and the French want the opposite," he says.

But overall the SPD feels pleased with the initial response to the discussion it has opened and will hope to continue to dominate the economic debate under the slogan "reduce tax on labour, increase it on energy".

The latest proposal for public finance is to reduce Germany's defence budget by DM2.5bn and use the money to create more jobs and increase development aid.

East bloc steps up spying on the Swiss

THE Eastern bloc continues to be active in the espionage business in Switzerland despite glasnost, according to an official report yesterday, Reuter reports from Berne.

The report by the state prosecutor said the number of discovered spying cases had declined steadily since 1980, "but the proportion of Eastern espionage has steadily risen."

It said Eastern bloc espionage was aimed mainly at computer-technology and micro-electronics.

Italian PM seeks urgent action to combat Mafia

By Alan Friedman in Milan

URGENT ACTION is needed to combat the growing power of the Mafia, Mr Giulio Andreotti, the Italian Prime Minister, warned yesterday. He said that "with 428 people assassinated during the first six months of this year this is not the Italy that should be going into the Europe of 1993."

The past few days have seen more Mafia killings in Palermo, a widening scandal over possible Mafia moles inside the Sicilian judiciary and the police force, and an investigation of possible Mafia wiretaps placed on magistrates' telephones.

Yesterday, three anonymous death threats against Palermo police officials were made by telephone and letter.

The chief of police in Palermo has warned that the murder of a newly-married young policeman and his 20-year-old bride last weekend may have been a terrorist-style act of intimidation by the Mafia, an attack "against the Italian state."

Mr Andreotti held a three-hour meeting yesterday with his top ministers, Mr Claudio Martelli, the Deputy Prime Minister, Mr Domenico Sica, the anti-Mafia commissioner, Palermo police officials and the heads of Sismi and Sisde, the Italian secret services.

He called for "concrete results and quickly" in the battle against the Mafia and issued a warning that the power of organised crime in the south of Italy could harm the country's image ahead of the EC single market in 1992.

"This is not the Italy that will encourage new investments and create new jobs in the south," said Mr Andreotti. "We need to mobilise all forces at a national level."

However, few observers are optimistic that much effective action can be taken in the near future given the state of disarray and internal rancour among anti-Mafia forces in Palermo and Rome.

Refugee tide swamps Bonn envoys

By Our Foreign Staff

THE CONTINUING exodus of East Germans to the West via Hungary is fuelling speculation that the West German authorities may be forced to close their embassy in Budapest temporarily as a means of stemming the flow.

Earlier this week Bonn closed its permanent mission in East Berlin because the presence there of 130 East German citizens seeking refuge had made it impossible to "continue its normal functions".

The move prompted a sharp rebuke from East Berlin. Ironically, the bitter exchange of words come a time when there has been a marked improvement in relations.

Earlier this week, both governments agreed to an exchange of historical cultural documents. And today, in what is seen an important move facilitating travel and trade contacts, air travel between East and West Germany is to start today with the first flight from Frankfurt to Leipzig.

The embassy in Budapest has been virtually besieged over the past few days by 200 East Germans, some of whom failed to cross the border between Hungary and Austria.

That border has been the bane of the East German authorities since May when Hungary decided to dismantle the 240 km-long fence.

As a result, at least a thousand East Germans have successfully crossed to Vienna where they immediately receive documents from the West German embassy to emigrate to the Federal Republic.

Initially, the Hungarians returned those who had been caught by border guards largely to appease the East German authorities who have continued to look askance at the political reforms taking place in Hungary.

This policy was dropped earlier this week following criticism from the Hungarian opposition and a suggestion by the authorities that they may consider granting refugee status to East Germans.

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Door to longer shopping hours prised ajar in W Germany

Change is now possible in theory, writes **Haig Simonian**, but practice may require lengthy resort to the courts

AFTER MONTHS of political horse-trading in Bonn and a string of lightning strikes at department stores around the country, the ink is now all but dry on this year's wage deal in West German retailing. But whether that means the pavements will be rolling up a little later than usual in the country's High Streets remains to be seen.

For the negotiations which have secured West Germany's 2.3m shopworkers pay rises of 3.9 per cent this year and 3.4 per cent in 1990, are just part of the deal. By contrast, the much more contentious issue of easing the country's restrictive shopping hours remains unresolved.

Changing West Germany's antiquated *Ladenschlussgesetz*, the law which compels all shops to shut at 6.30pm on weekdays and at 2pm on all but one Saturday a month, has *been an important issue for the* liberal Free Democratic Party, the junior member of the Bonn Government.

Curiously, change has also been promoted by many of the country's foreign trading partners, which in 1987 rounded on the contrast between West Germany's huge export surpluses and its stagnant domestic growth. While domestic consumption has risen sharply from the depressed levels of two years ago, the issue of restrictive shopping hours has remained on the agenda in many foreign capitals.

However, even the first step towards liberalisation, in the form of late closing one evening a week, which is due to be introduced in October, has not come easily.

The eventual deal required a maze of U-turns by the Government, culminating in a concession to opponents of longer hours which means stores will have to close two hours earlier on those summer Saturdays when they could stay open later to begin with.

Despite the hard-fought political battle, late closing is still some way off. The issue has now been tossed from the debating chamber into the industrial relations arena, fuelling the biggest strike wave in West German retailing history.

For the two main shopworkers' unions, the Gewerkschaft Handel, Banken und Versicherungen, and the Deutsche Angestellten Gewerkschaft, later closing is anathema. Using the pay issue as their excuse, they demanded that current opening times be *embedded in the new* pay contracts being negotiated for shopworkers – the aim being to make it legally impossible to alter the status quo.

The unions' vehemence has been influenced as much by weakness as by strength. Union membership in retailing is little more than 20 per cent at best and is concentrated at the big store chains. Taking a stand on evening opening has probably been essential for them to retain their members' credibility, and may even have been seen as a way of gaining new recruits.

Surprisingly, perhaps, most big department store chains are almost as strongly opposed to late closing as their unions.

Alan Harper

It could be a long time yet before late-night shopping comes to West German stores

Many big retailers claim it will result in massive extra costs without producing any additional revenue and will sour relations with the workforce for years to come. "You can understand how highly delighted we are with our Government," says a sarcastic Mr Kurt Alberts, a managing board member of Essen-based Karstadt, the country's biggest stores group.

But Karstadt, Kaufhof, Hertie and Horten, West Germany's big four retailers, are in a quandary. Smarting from accusations that they have been in an unholy alliance with the unions, they say the Government has put them in an impossible position.

The stores claim that, unless Bonn also changes the country's highly-admired rules on co-determination, which give workers the right to share in corporate decision-making, big retailers will just have been made a victim of an ill-devised government policy, without being given the right tools to push it through.

Hence the background to the strikes. For the only way round the impasse between workers and management has been a classic fudge, which both sides now claim as a victory. The employers' have accepted the unions' call to include existing shopping hours in workers' contracts. However, the deal also commits the unions to accepting evening opening should a store's continued existence be threatened on competitive grounds.

"We achieved our aim that anyone who wanted to take part in longer opening could do so," says Mr Günter Triesch, chief executive of the Bundesarbeitsgemeinschaft der Mittel- und Grossbetriebe des Einzelshandels (BAG), the lobby representing the larger retailers.

Quite what "competitive disadvantages caused by late closing" really means has been left deliberately vague, however. How such dangers will be assessed will probably be up to the courts.

The result is that, come October 1, companies whose employees are organised in a workers' council will only be able to stay open late if their employees agree. If not, employers will have to turn to the *Einigungsstellen* (local arbitration tribunals which adjudicate on industrial relations disputes) for a ruling on whether failure to open is putting the business at risk.

Quite how the judges would decide in the event of an impasse is unclear. Recent precedents, albeit in higher courts, are not promising for the stores. In June, judges in Kassel turned down Hertie's case that the unions' strategy of linking wages and shopping hours was against the country's competition laws. "As in all German courts, it's in God's hands," says Mr Triesch.

So the most immediate beneficiaries of the new opening rules are likely to be the big out-of-town hypermarkets, which have consistently opposed restrictions altogether. Union membership at most out-of-town stores is low to non-existent, while some workforces, by their own choice, are not organised into workers' councils at all.

Shops with fewer than five employees will also be able to decide for themselves whether to open late. While few High Street boutiques are expected *to stay open if the big stores* remain dark, small family-run shops, often immigrant-owned, on the fringe of city centres will probably make the most of the new rules.

Meanwhile, consumers desperate to buy at one of the big department stores will have to be patient. At present, none of the chains plans to stay open late. But matters could change if one of the big four breaks ranks or if a large independent store decides to go it alone. Breuninger, a Stuttgart-based textiles group, has already been advertising heavily for extra staff to run the tills on Thursday evenings.

Privately, senior executives from the big stores see two possibilities come October. The first, and more likely, is that stores in big cities will successfully cite "severe competition" from their non-unionised rivals to persuade their workers to stay open too. But the second scenario envisages total opposition by workers to any change in the status quo.

That could trigger years of legal debate, with the issue of what constitutes a competitive threat to a shop's existence potentially going as far as the Federal Constitutional Court, the highest legal tribunal.

Hence the frustration of some big retailers, which claim the Government has let them down. "Freedom of choice has been left to the judges," says Mr Throdor Althoff, a managing board member of Karstadt. "There's nothing more stupid than the German co-determination law" when it comes to blocking change, he adds.

The large stores may have some right to feel aggrieved. But their record of lobbying against all previous attempts to liberalise shopping hours over the years hardly wins much public sympathy for their present dilemma.

WORLD TRADE NEWS

China's convict labour lure for western investors

By Robert Taylor in Stockholm

VOLVO has rejected an invitation from the Chinese government to set up a plant in China manned by convicts.

This unusual offer reflects China's urgent need to attract investment from Westerners horrified by the suppression of the democracy movement in June. Apparently China had intended to make similar offers to many other Western companies.

China's Brussels-based state-owned subsidiary Chinter, whose main activity is to encourage western companies to set up in China wrote to Volvo, the biggest company in Scandinavia, offering a ready-made factory, land and a limitless supply of cheap and disciplined labour in return for manufacturing in China.

Volvo declined, saying it had no plans to establish operations inside China and it was against their business ethics to employ convicts. "It smells like slave labour," a spokesman said.

In the letter to Volvo, Mr Charles Chi, Chinter's general manager, said he was writing on behalf of the Chinese *reform of criminals bureaux* for the country's coastal provinces when he heard that the "esteemed firm" had the "intention to establish factories in Asia".

Yesterday he denied it would have involved slave labour. "We have to give a hand to criminals who hope to go back into society when their prison sentences are over," he said. "They can learn technical skills while in prison and save up the money they earn to use after their release. It is a normal proposal and it should not be twisted."

Mr Chi said however, that Chinter was now reconsidering its position. The intention had been to contact a number of large European companies and encourage them to establish plants in China based on prison labour.

Yesterday he also pointed out that a company's operating costs in China, including labour, were only a fifth of what they are in western Europe and that what was on offer amounted to a "good" deal for both sides. He added *that* the prisoners would only work eight hours a day, the state would feed them and they would be paid some money as they worked out their sentences. The convicts would be guarded in the plants by prison officers.

Initially Volvo thought that the offer from Chinter was a silly season hoax. But it is *apparently a* genuine proposal. After the Tiananmen Square massacre it is a clear indication of the wide level of unreality at present shaping attitudes in Peking. Mr Chi denied that any of the students who participated in the demonstrations in the Chinese capital would be employed.

MAN seeks partner for consortium

By David Goodhart in Bonn

MAN, the West German engineering group, is looking for a new partner for its European mobile cellular telephone consortium following the decision of the energy utility Ruhrgas to pull out.

The potentially lucrative contract involves building and running the private-sector alternative to the West German Bundespost's mobile telephone system, which should be operational next year. A decision is due on December 12.

The six consortia believed to be interested include companies from various countries. The MAN consortium, for example, still includes Bell Atlantic and Ameritech of the US and the Italian telecommunications group STET.

The other five are: BMW (leader) with Veba, Bell-South, and Racal; Daimler-Benz with RWE and British Telecom; Mannesmann with Cable & Wireless and DG-Bank; Deutsche Shell with Salzgitter, McCaw and Cantel; and Springer with VEW, Bayernwerk, Bayerische Hypo, Bell Canada and Olivetti.

The decision of the Bundespost to license a private sector competitor is often held up as an example of the new, more liberal telecommunications climate within West Germany.

Lone Star meat men play for high stakes

By Nancy Dunne and Chris Scanlan in Washington

EVEN IN times of recession, Texans like to do things in a big way.

Mr Jim Hightower, the feisty state agriculture commissioner, corralled a crowd of fellow Texans last week, stuck the Lone Star flag on the mast of a ship loaded with 18 tonnes of hormone-free beef, and launched "a modern day cattle drive" to the UK.

The ceremony, growing out of a partial settlement of the US-EC beef hormone stand-off, gave Mr Hightower a high-profile opportunity once again to thumb his nose at federal officials. They had insisted that the US would lose a valuable market when the EC hormone ban went into effect on January 1.

"From the outset, we at the Texas Department of Agriculture felt there was more at stake than steak, and a whole lot more was at stake than growth hormones," Mr Hightower said. Rather than accepting a European beef embargo on US meat, the Texas Department sought "a more commonsense approach" to find a new market for hard-pressed Texas ranchers.

Ignoring the outrage in Washington, Texas officials worked out a plan with the EC to get some Texas beef certified as "clean meat" by EC veterinarians and inspectors. The first shipment is valued at about $100,000 (£62,500), and Cox Packing Company of Devine, Texas, has an option to supply an additional 372 tonnes, valued at about $1.5bn to TSW Meats, Ltd., of Liverpool.

Last month, Mrs Carla Hills, the US Trade Representative, announced that in response to a partial resumption in meat exports to the EC, she would lift the punitive tariff imposed on imports of Community pork hams. Other retaliation would remain in place, she said, until there is "a solution enabling a full resumption" in meat trade.

Despite the Hightower triumph, it is by no means certain that the partial settlement will set off a stampede of beef exports into the Community. Mrs Barbara Watson, a spokesman for the American Meat Export Federation, bemoaned the loss of the European market for variety meats. Between January and May last year, the EC bought nearly 25,000 tonnes worth $38.4m. In the same period this year, offal exports fell to 4,373 tonnes, worth $5.8m.

While American cattlemen are taking significant losses in Europe, they are heartened by the prospects of expanded markets – particularly Japan, Mexico and Canada. Mrs Watson said Japan's agreement to raise its quota by 60,000 tonnes annually until full liberalisation in 1991, could more than double US beef exports there.

In the first four months of 1989, US beef exports to Japan soared to 72,101 tonnes, up from 33,754 tonnes in the same period two years earlier.

Americans will not be the only beneficiaries of the liberalisation. Japanese investors anxious to catch the wave of imports have been entering into the US ranching business, thanks to the strength of the yen against the dollar and extensive tax breaks.

Yeutter sees potential in EC trade reforms

By Nancy Dunne in Washington

MR Clayton Yeutter, the US Agriculture Secretary, perceives "potential merit" in the EC plan for reform of global agriculture trade but says countries should be required to make specific commitments to other reforms along with its adoption.

In the current international trade talks, the EC has called for use of a device called "aggregate measure of support" as a basis for reducing trade distortions.

Under this formulation, members of the General Agreement on Tariffs and Trade would be allowed to achieve agricultural trade reforms by reducing either their market barriers, their internal farm supports or export subsidies.

The flaw in the EC proposal, Mr Yeutter said, is that a country could reduce its internal support prices but make no changes in its export subsidy schemes or tariffs.

EC officials, however, believe that reform of one type of protection would naturally lead to other reforms.

Mr Yeutter expressed particulari concern that the Community would apply new import restrictions on oilseeds and maise glutten while offering comparable trade concessions on other products.

"The purpose of a multilateral trade negotiation is to reduce barriers wherever possible and avoid increasing them anywhere," he said. "I find it hard to believe that the EC position on rebalancing will be seriously supported by anyone."

In the particularly contentious talks over agriculture, the US has introduced a very different proposal called "tariffication," which would have each country convert its barriers to tariffs.

The US believes tariffs distort trade less than other import barriers.

In his speech, Mr Yeutter acknowledged that tariffication does not address the problem of internal support policies – price supports, production subsidies and so forth.

The US intends to submit separate proposals dealing with these "trade-distorting policies later this year," he said.

Mr Yeutter, formerly the US trade representative, stressed that the US is not advocating abandoning income supports for farmers or "scheming to destroy European agriculture."

S Korea ready to replace Mitsui in Iranian project

SOUTH Korea is likely to take over a stalled multi-billion dollar petrochemical project in Iran, if Mitsui of Japan withdraws from the scheme, Reuter reports from Tokyo.

Mitsui said it wants to pull out of the the Iran-Japan Petrochemical Company (IJPC) joint project at the port of Bandar Khomeini and does not care if Iran finds a new partner after its withdrawal.

Iran has asked South Korea to help reactivate the project at the Gulf port.

Mr Lee Bong-suh, the South Korean Energy Minister, said Seoul and Tehran were likely to reach agreement on a $3bn package deal, which includes oil tanker construction.

"The total sum of projects under negotiation between Seoul and Tehran would amount to $3bn," Mr Lee said.

"There is a high possibility...we will try to materialise these issues in ministerial talks in Tehran this year."

Mr Gholamreza Aqazadeh, the Iranian Oil Minister, said during a visit to Seoul in July that South Korea had "a very good chance" to participate in the project were Japan to withdraw.

Work on the project was halted when the site was hit by Iraqi air raids during the Gulf War. Talks between Iran and Mitsui on resuming work have been deadlocked since May.

Trade sources in Tokyo said the South Korean shipyards Daewoo Shipbuilding and Hyundai Heavy Industries have been almost assured of receiving Iranian orders to build five 250,000-tonne tankers each.

Japanese firms, led by Mitsui, and Iran's National Petrochemical Co (NPC) have invested a total of 600bn Yen ($4.32bn) in the project.

A Mitsui spokesman declined to comment on whether South Korean firms had the technological and economic muscle to take over from work on war-damaged complex from the Japanese.

Trade sources said the good news for Mitsui is that Tehran has softened its stance towards *an early settlement of the project*, particularly since Mr Ali Akbar Rafsanjani, seen as a pragmatist, took the presidency this month.

Mitsui has said it wants a "friendly separation" with Iran, while Iran has suspended a decision on the project.

"But there are indications Iran wants to resolve this thorny issue and go ahead with the reconstruction of its war-battered economy," said the Mitsui spokesman.

Hitachi revises promotion amid trade friction fears

HITACHI, the Japanese semiconductor maker, has revised an advertising campaign promoting a new memory chip in part because of concern it might fuel trade friction with the US, a company official said yesterday, AP-Dow Jones reports from Tokyo.

The official said Hitachi had cancelled plans for advertisements in newspapers and train stations announcing mass-production of 4-megabit advanced computer memory chips.

A 4-megabit memory chip can store the equivalent of 16 newspaper pages of information.

The decision to revise the campaign was "based on overall marketing considerations," but concern over trade friction with the US "was one element considered," the official said.

Hitachi had decided it would be more appropriate to target advertising at actual chip purchasers, instead of the general public, he added.

The Japanese newspaper Nihon Keizai Shimbun reported allegations that the Ministry of International Trade and Industry (MITI) had warned Hitachi that heavy advertising of its chip-making abilities might lead to increased trade friction with the US.

Hitachi and MITI officials denied the allegations, but the reports reflect the sensitivity over US claims that Japanese companies have unfairly restricted sales by foreign semiconductor makers in Japan.

US will investigate Thai workers' rights allegation

By Peter Ungphakorn in Bangkok

THE US GOVERNMENT has accepted for investigation a petition from American labour unions accusing Thailand of violating workers' rights and seeking the removal of Thailand's ineligibility for tariff concessions.

The petition is the third submitted by the AFL/CIO, the main US union organisation, in successive years. It was accepted for investigation by the Office of the US Trade Representative (USTR) seven months after Washington removed a handful of Thai exports from the US Generalised System of Preferences (GSP) because of dissatisfaction with Bangkok's progress in providing protection for intellectual property – particularly pharmaceutical patents.

Intellectual property rights is likely to remain a more serious area of contention in Thai-US trade relations. Thailand is on Washington's "priority watch list" for possible retaliation under Section 301 of the US Trade Act and last week a team of US officials came to Thailand as part of a series of consultations and negotiations.

Thais generally see the union petitions as disguised protectionism against imports.

OVERSEAS NEWS

Sanctions pressure to be stepped up

By Chris Sherwell in Canberra

COMMONWEALTH governments are to use forthcoming international gatherings to serve joint démarches on countries failing to impose economic sanctions against South Africa.

The decision, agreed by foreign ministers of eight Commonwealth countries at the end of a three-day meeting in Canberra, is part of a wider campaign to step up pressure on Pretoria.

Mr Joe Clark, Canada's Foreign Minister, said the meeting had "unquestionably helped prove the case" for international sanctions, and had documented the "devastating effect" of South Africa's destabilisation policy on its neighbours.

The ministers also:

- Pointed to a "clear danger to free and fair elections" in Namibia. They put forward proposals to ensure the integrity of the November ballot, and made plans to despatch to Namibia both an observer group and, if necessary, extra police.
- Voiced their "strong and unanimous desire" that next year's Commonwealth Games in Auckland should be an unqualified success. The ministers "unreservedly condemned" South Africa's efforts to induce cricket and rugby players to tour.

On sanctions, which dominated the meeting, the ministers agreed to step up their lobbying of bank lenders to South Africa but left action on intensified trade sanctions to October's heads of government meeting in Kuala Lumpur.

The decision on joint diplomatic action against countries failing to impose sanctions marks a significant escalation in the committee's position, in that ministers have hitherto put their case bilaterally.

Now some or all of its eight members – Australia, Canada, India, Nigeria, Zimbabwe, Zambia, Tanzania and Guyana – are to use the UN General Assembly gathering, the Non-Aligned summit and the next Paris meeting on Cambodia to serve joint démarches.

Targeted countries are those whose trade with South Africa has increased over the past few years – among them Japan, Taiwan, South Korea, Hong Kong, Israel, West Germany, Switzerland, Italy, Spain, Turkey and Brazil.

The decisions represent a compromise between "front-line" African states seeking the immediate imposition of comprehensive and mandatory sanctions against South Africa and others, such as Canada and Australia, which agree on the effectiveness of sanctions but wish to move more selectively.

"There's not a paper tissue between any of us. . . on what's necessary and what the next steps are," Senator Gareth Evans, Australia's Foreign Minister, insisted yesterday. For all the calls for trade sanctions, "the real squeeze" now was over South African debt rescheduling, trade credits and bank lending.

Toshiki Kaifu rises to MPs' applause as he is named premier

Kaifu chooses women for cabinet

By Ian Rodger in Tokyo

MR TOSHIKI KAIFU, who yesterday became Japan's third prime minister so far this year, has appointed two women to his cabinet.

The top cabinet posts remain in male hands. Mr Ryutaro Hashimoto, 52, who out of loyalty to Takeshita faction bosses last week rejected appeals to run for the party leadership, was rewarded with the senior position of Finance Minister. He will handle the Liberal Democratic Party's approach to reforming the unpopular 3 per cent consumption tax it introduced in April.

Mr Taro Nakayama, a 64-year-old doctor with virtually no diplomatic experience, has been named Japan's Foreign Minister, the public broadcasting network NHK said.

The appointment of two women, Ms Sumiko Takahara, 56, and Ms Mayumi Moriyama, 61, was apparently made in response to the recent wave of protest by women against the LDP, which contributed significantly to the party's crushing defeat in the elections to the upper house of the Diet (parliament) two weeks ago. However, the ranks of women in the LDP are so thin that the party had to reach outside politics for Ms Takahara, who will take the economic planning portfolio.

Ms Moriyama, who will head the government's Environment Protection Agency, is a twice-elected member of the upper house. Before becoming a politician, she was a bureaucrat in the Labour Ministry and achieved notice promoting the status of women there.

Otherwise, the composition of the new cabinet reflected the customary share-out of posts among generally undistinguished but senior members of the powerful factions of the ruling LDP. Observers of the Tokyo political scene doubted that it would have the strength or credibility needed to rebuild the scandal-rocked party's shattered popularity.

"While there are a few younger members, it is basically the same old thing," one said. Another called it the "Takeshita remote control cabinet", a reference to the widespread belief that Mr Noboru Takeshita, the former prime minister who resigned in disgrace in June because of his involvement in the Recruit bribes scandal, has great influence over Mr Kaifu.

The new prime minister comes from one of the LDP's smallest factions, and his rise to power became possible only as a result of the sponsorship of the Takeshita faction, the LDP's largest, and two other large factions.

Apart from Mr Hashimoto, the Takeshita faction fared best in the cabinet appointments, winning five places. Mr Ichiro Ozawa, 47, a Takeshita faction member, has been appointed LDP secretary general, a position generally considered second only to that of prime minister.

The faction led by Mr Kiichi Miyazawa, the former finance minister, saw its allocation of cabinet positions reduced from five to four, apparently a punishment for its decision to vote against Mr Kaifu in the leadership election on Tuesday.

As expected, the LDP's proposal that the Diet endorse Mr Kaifu as prime minister proved briefly troublesome. A majority of upper house members voted for a proposal that Ms Takako Doi, the Japan Socialist Party (JSP) leader, become prime minister.

That meant the LDP had to invoke for the first time a constitutional provision enabling the decision of the lower house, where the LDP had a majority, to prevail.

The leaders of the opposition coalition promptly called on the LDP to abolish the sales tax, hand over the reins of government or dissolve the lower house for a general election.

However, their credibility was marred by an immediate and embarrassing division in their ranks. One of the four parties in the coalition, the Democratic Socialist Party (DSP), refused to vote for Miss Doi, thus depriving her of a clear majority on the first ballot in the upper house.

Watershed problems for burgeoning South Korea

Economic imbalances look likely to stop it becoming the next Japan, reports **Robin Pauley**

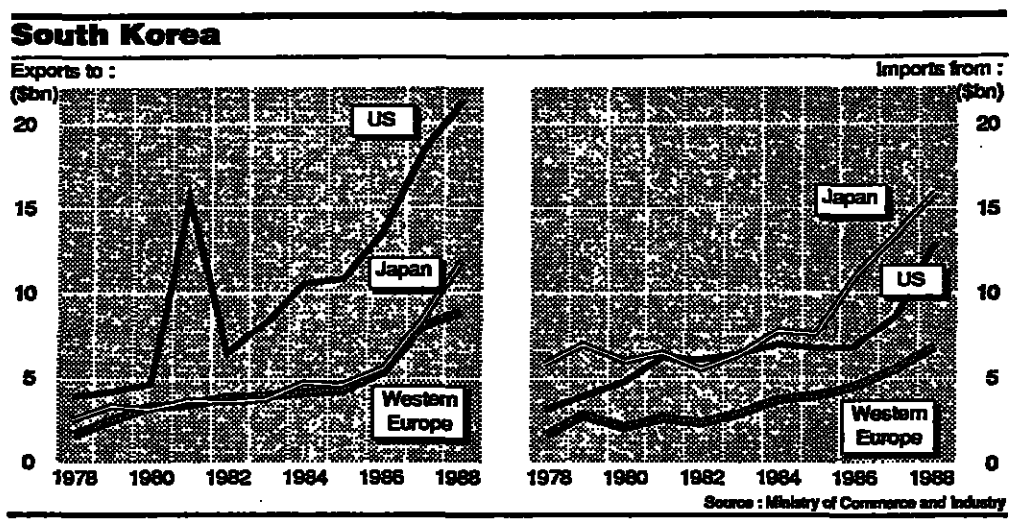
CAN South Korea become the next Japan? Probably not – and certainly not without a great deal of difficulty, because its development is being undermined by gross economic imbalances which threaten to undermine the country's development.

That is the conclusion of a detailed study by Professor Stephen Young and Dr Michael McDermott of the international business unit at the University of Strathclyde. They argue that these imbalances are the result of economic concentration and acknowledge that the government is trying to tackle these distortions.

Seoul and Pusan, the two big cities, are much more developed than the rest of South Korea, although regional policy is seeking to redistribute the nations's wealth. The large conglomerates (chaebols) dominate the economy, but the government's new policies to curtail them and boost small and medium-sized enterprises will take some time to redress the balance.

Most South Korean overseas investments in the US and Europe so far have been by the largest chaebols on greenfield sites, although this could change as the government encourages smaller industries. International takeovers are also likely to become more popular among South Korean overseas investors. For example, the acquisition of a big European or US computer-electronics company could solve many problems – limited production and distribution network in key markets and the lack of a *well-established brand name.*

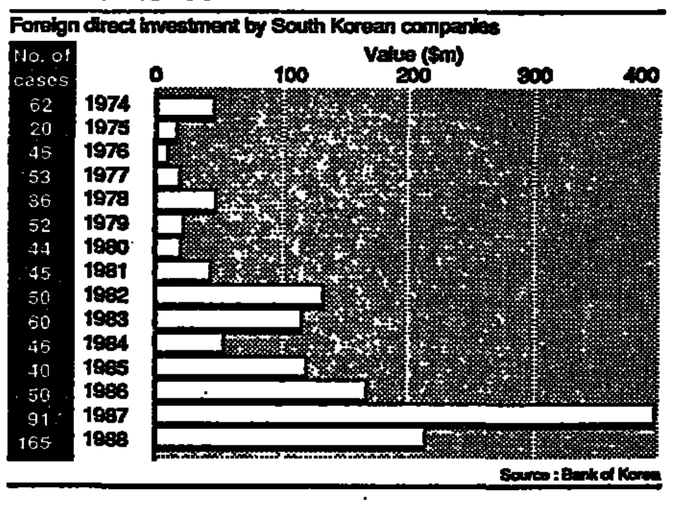
Small acquisitions have already started and earlier this year a big one gave a possible taste of things to come: the Sammi group paid an estimated \$250m (£155m) for the steel division of Atlas Corporation of Canada, making Sammi the largest specialist steel manufacturer in the world, with a capacity of 1.5m tons a year.



Whatever its current difficulties South Korea has achieved a great deal very quickly, being a devastated and impoverished little nation after the Korean War of the early 1950s. It has recorded a trade surplus of \$20bn since 1986, allowing it virtually to eliminate its huge overhang of foreign debt.

Having achieved staggering growth in the past two decades the country now confronts watershed problems. The pace of internationalisation has been accelerated by external pressures requiring the balance between exports and imports to be redressed.

South Korean companies are having to start becoming multinationals at a rapid pace and without the advantages that the Japanese had before them. *Japanese companies had well established brand names before* they began to invest overseas. Protectionism has forced South Korean companies to locate production overseas, placing greater demands on management and resources, and the export-oriented strategy has become something of a straitjacket. The solution may be for *South Korea to work at developing its domestic market.*



The remarkable Japanese success story has been based on the premise that to be competitive in the future, companies must develop tomorrow's competitive advantages faster than competitors mimic the ones they possess today. Japanese companies summed up *this intent with clear slogans:* Komatsu's target was "Encircle Caterpillar" and Canon's was simply "Beat Xerox". South Korea's desire to emulate Japan is not in doubt, but can it be done?

Like Japan's, South Korea's population is concentrated in a small number of very large cities. Unlike Japan, Korea has a small domestic market but, again like Japan, lacks natural resources. South Korea has lost its advantage as a cheap-labour-cost location to South East Asian countries. Like Japan it is seeking to compensate for this through factory automation and switching to high value-added, technology-intensive products.

In some companies, capital investment has led to productivity increases which have outweighed the negative impact of wage rises, competitiveness thus being enhanced rather than destroyed. For example the relentless drive of Saehan Media, now the world's second largest producer of video tapes (after TDK), to capital-intensive operations has reduced production costs.

OEM (original equipment manufacturer) operations based in South East Asia with cheaper labour have been unable to narrow the cost gap between themselves and Saehan. (But 99 per cent of Saehan sales themselves derive from OEM business supplying foreign companies such as Kodak, RCA, Fuji and JVC, and Saehan has failed to develop a similar calibre brand name of its own.)

In addition to becoming more capital-intensive, Korea is also trying to protect its cost advantage by moving labour-intensive operations to less developed Asian countries with cheaper labour. But South Korean companies still lag far behind industry giants in the US, Europe and Japan.

"Their main weakness is dependence on foreign technology and OEM sales, lack of brand names and limited global production and distribution capacity. They aim at the less lucrative lower end of the market in cars and consumer electronics, once the preserve of the Japanese who have moved on to more sophisticated and profitable product ranges," says the report.

As Japanese producers move upmarket, Western niche manufacturers will feel the brunt of Japanese competition. BMW, Mercedes, Saab and Volvo are likely to face a stiff challenge from Japan's car makers. In consumer electronics Philips, Thomson and Nokia now face an onslaught from Japan at the upper and middle end of the market and Korea at the lower end.

Dumping duties and quotas restrict only Korean exports because the big Japanese producers now have manufacturing facilities in Europe, so the main beneficiaries of the duties are not the Europeans but the Japanese, who obtain relief from Korean competition.

"Rather than encouraging the erection of barriers to South Korean internationalisation, western producers might well ally with the Koreans to stem the Japanese onslaught. Such a marriage of convenience would benefit Korean producers too, accelerating their own development at the same time as slowing Japans's.

South Korea faces four major challenges before it can begin to emulate Japan: reduce its dependency on foreign technology; develop successful brand names to reduce its dependence on OEM sales; diversify its foreign markets to cut its dependency on the US and EC markets; and expand its domestic market.

The first step to tackle this considerable challenge has been taken by recognising the deficiencies. Expenditure on research and development and marketing is rising rapidly albeit belatedly. But it will be a long and difficult march and others, notably Taiwan, may yet get there first.

South Korea's Industry: New Directions in World Markets; \$295 (UK and Europe) \$585 (North America); Economist Intelligence Unit, 40 Duke Street, London W1A 1DW.

Sri Lanka faces hard economic decisions

By David Housego in Colombo

IN chemists' shops in central Colombo, shopkeepers have put up signs announcing that they do not sell Indian-made products.

The signs were put up after the extremist Sinhalese movement, the JVP, threatened shopkeepers with retaliation if they sold Indian-made goods. Low-priced drugs have been a big Indian export to Sri Lanka.

But if the JVP ban has been hard on the poor, it is probably their only action which has had a beneficial (albeit unintentional and short-term) impact on the balance of payments, through reducing imports.

Otherwise the stoppages and strikes that the JVP have inspired in recent weeks, particularly the transport strike and the stoppages at the port, have eaten into output and exports. With the trade and current account deficit continuing to widen, the foreign exchange reserves have virtually disappeared.

A sign of Sri Lanka's plight is that the government is having to finance imports of wheat, sugar, rice and fuel on 180-day letters of credit. Suppliers are demanding that offshore foreign banks independently confirm that payment will be made. Importers of non-essential goods are being asked to put up a 100 per cent cash margin.

As business circles see it, the balance of payments squeeze is putting an irresistible pressure on the government to come to terms with the International Monetary Fund. One IMF mission left 10 days ago without an agreement, and another arrives in 10 days.

The IMF is withholding a \$87m drawing on a structural adjustment facility until Sri Lanka enters new commitments. Payment on this would unlock \$60m more in balance-of-payments support from the World Bank and new aid from western donor nations.

Diplomats fear, however, that President Premadasa is still turning a blind eye to the tough decisions that will be required – in particular the rise in food, transport, fuel and fertiliser prices needed to reduce subsidies, or at least to prevent them climbing further.

Some hard decisions have already been taken. The President's Janasaviya programme, involving a Rs2500-a-month (£44) payment for the poorest families, has been shelved for this year, along with another welfare programme for mid-day meals; the two would have cost Rs4bn for 1989.

But the most difficult decisions remain. The removal of subsidies on wheat and flour could push up the cost of a loaf of bread by over 40 per cent to about Rs 5. Mr Premadasa evidently feels that this could cause food riots and play into the hands of the JVP.

Overall, the IMF wants to contain the budget deficit to 12 per cent of GDP, as against the 15 per cent in the government estimates. This marks a softening on its original goal of 10 per cent of GDP.

Parallel with this the Fund is seeking a slight slowing of monetary expansion (M1) to 18 per cent this year – which allows for an optimistic 2-3 per cent real growth in GNP and 15 per cent inflation. Interest rates have been rising, with one year Treasury bills now at 19 per cent, reflecting the tightening of monetary policy.

The influence of Fund thinking is already being reflected in the accelerated depreciation of the rupee over the last two weeks.

Failure to reach an agreement with the Fund would make it almost impossible for Sri Lanka to obtain the commercial credits needed to finance its import bill and current account deficit. Because the consequences in terms of shortages and higher inflation would be so painful, businessmen believe the president will submit to the inevitable.

Fifteen killed as Sikh terrorists bomb bus

By K K Sharma in New Delhi

AT LEAST 15 people were killed and 27 injured when a powerful bomb planted on a bus by Sikh terrorists exploded at Karnal, a town in the heart of the north-western Indian state of Haryana, which borders Punjab.

The bomb attack is evidence of a change of tactics by the terrorist groups, which are seeking an independent Sikh nation they call Khalistan. Previously, they have mostly confined their activities to Punjab, from where reports of killings come daily.

This latest bomb attack was on a Haryana State Roadways bus at a town more than 70 miles from Punjab. Haryana has a predominantly Hindu population.

The bombing follows a massacre of 23 Hindus last month in the Punjab town of Moga.

The new tactics are thought to be designed to provoke a Hindu backlash that would set off countrywide Sikh-Hindu riots, causing Hindus to flee Punjab and Sikhs to seek refuge there from other parts of India, thereby facilitating the creation of Khalistan.

No such backlash has taken place and the attacks have been condemned not only by Hindus but also by moderate Sikh leaders. However, security in Punjab and neighbouring states has been tightened.

Thailand to host Pacific Rim ministerial talks

By Peter Ungphakorn in Bangkok

THAI officials are willing to host a meeting next month to prepare the ground for ministerial talks in November in Canberra on proposed Pacific Rim economic co-operation, seen by some as a potential economic bloc that could counter a post-1992 Fortress Europe.

If the meeting is held in Thailand, some of the problems confronting the Australian Pacific Rim plan will have been removed. Diplomats in Bangkok say other members of the Association of South East Asian Nations have declined Australian approaches – Indonesia and Singapore are mentioned.

Even Thailand is cautious because it does not yet have an official position on the Pacific Rim proposal and because it wants to remain in step with its Asean partners.

Proposed participants for the official meeting in Thailand as well as the Canberra ministerial meeting would be the US, Canada, Japan, South Korea, Australia, New Zealand and the Asean six – Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

Despite enthusiastic encouragement from the Americans as well as the Australians, Asean itself does not have a position on Pacific Rim co-operation in any of the various forms proposed.

Palestinians attack troops after boy dies

HUNDREDS of angry Palestinians attacked Israeli troops with stones on Wednesday after a soldier's bullet killed a five-year-old boy in a Gaza Strip refugee camp, residents said, Reuter reports from Jerusalem.

The soldiers responded by firing live and rubber bullets and bombarding the crowds in Shati refugee camp with gravel shot from cannons, witnesses said. At least 10 people were shot and injured, hospital officials said.

Palestinians said five-year-old Yusef Salama was killed when troops opened fire to break up an earlier protest. As the crowds gathered, jeeps carrying troop reinforcements were called in, witnesses said. About a dozen soldiers fired from the roof of a five-storey building at hundreds of people trying to hurl rocks up at them, they said.

Israeli army spokesmen said they could not confirm details of the attack on troops or the circumstances of Salam's death.

He was the second child killed by army bullets as the Palestinian uprising continued against Israeli rule of the occupied West Bank and Gaza Strip into its 21st month.

A one-year-old Israeli boy, Itay Hamtzani, was shot dead when a gunfight broke out between troops and his father, a Jewish settler who mistook them in the darkness for hostile Palestinians.

Settlers said Daniel Hamtzani opened fire when he saw a suspicious light by the roadside as he was driving home to a West Bank settlement.

Israel ready for long haul in hostage talks

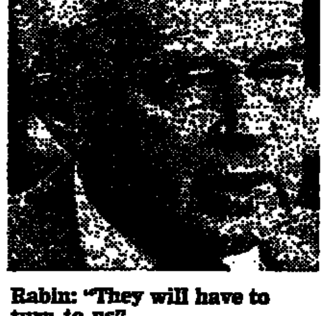
By Hugh Carnegy in Jerusalem

AS ISRAELI officials wait for what they hope will be successful negotiations on the Lebanese hostage crisis to begin in earnest, they know from hard experience that they are likely to be complex, frustrating and probably long.

With so many parties involved in the issue of captives held in Lebanon – from the shadowy Shia Moslem groups holding them, through Iran and Syria to the US and other Western countries whose nationals are missing – many channels will have to be opened simultaneously but eventually co-ordinated if a solution is to be found.

Already there are signs that a major factor will be the issue of Iranian assets frozen in the US since the seizing of the American embassy in Tehran 10 years ago. The release of US hostages held then for more than 400 days involved a hugely complicated deal with many intermediaries and guarantors in many countries.

In the present case, however, Israel expects – indeed insists on – a central role because it holds the Shia prisoners offered in exchange for the captives in Lebanon, including



Rabin: "They will have to turn to us"

Sheikh Abdel Karim Obeid, the prominent Hizbollah (Party of God) figure whom it kidnapped from Lebanon two weeks ago. And Israel says it will not agree to any deal unless it includes three of its servicemen missing in Lebanon since 1986.

"Whatever they want is in our hands," Mr Yitzhak Rabin, the Defence Minister said this week. "They will have to turn to us, not to anybody else." He added that past prisoner swaps agreed to by Israel were handled – at least in the latter stages – by the International Committee of the Red Cross and took a year or more to consummate.

A senior official with experience in such negotiations says Israel is still at the stage of waiting for the first real contact from – presumably – Hizbollah. Before that happens, he suggested that the disparate elements which make up the organisation would have to work out among themselves some kind of agreed approach.

He noted also that while President Rafsanjani of Iran, the country which has been Hizbollah's chief backer, was signalling a willingness to find an end to the hostage issue, he himself was now under some pressure from hardliners in the regime in Tehran.

But the official saw other encouraging signs. He said Israel believed President Rafsanjani's brother was in Lebanon to push Hizbollah into seeking a deal. He cited an extraordinary interview on Lebanese television last weekend with Sheikh Obeid's parents in which they appealed for all hostages to be released – something they could hardly have done without Hizbollah approval.

On past experience, he said, the first approach was likely to come in the form of a proposal relayed secretly through a third party. Assuming the first proposal was unacceptable, Israel would then formulate a response seeking to keep the door open. The response to this response would do much to show whether the initial proposal was authentic or negotiable, he said.

He anticipated many false starts and stumbling blocks along the way, with particular attention paid to making sure nobody was seen to lose face. The early stages would be "devious," he said, but if progress was made they would lead to more formal negotiations.

"It's going to be long and drawn out. Until it ripens, until all elements are in place, until we've done all the greasing, all the face saving, any little cog missing can stop the whole thing," he said.

His level of expectation was not high and he expected many attempts to divide Israel from other countries with hostages in Lebanon, especially the US.

Labour challenges Likud over West Bank

THE Israeli Labour Party has formally adopted a series of positions on proposals for peace in the occupied West Bank and Gaza Strip which meet several key Palestinian demands but are seriously at odds with its right-wing coalition partner, Likud, writes Hugh Carnegy.

Labour's policy-making Central Committee was originally convened to discuss breaking up the coalition because of tough conditions adopted by Likud, but Labour ministers had since decided to stay in government.

Instead, in a deliberate counter to Likud demands, it agreed that:

- Arabs living in Jerusalem should be included in elections in the territories proposed by the Israeli Government to establish interim Palestinian self-rule.
- The elections should be overseen by observers from countries with which Israel has diplomatic relations.
- Jewish settlement of the territories should cease before elections.
- Palestinians from outside the West Bank and Gaza should be included in later talks for a final settlement, which should be based on exchanging land for peace.

Labour asserted, however, that the process could not lead to the establishment of an independent Palestinian state in the occupied territories and that Jerusalem must remain united under Israeli rule.

Swapo accuses South Africa

MR SAM NUJOMA, President of the South West Africa Peoples Organisation, accused South Africa yesterday of attempting to rig Namibian elections by intimidating the population and registering up to 150,000 of its own nationals and supporters to vote, Reuter reports from London.

"The cumulative effect of intimidations, participation of foreigners in Namibia's independence elections and the many irregularities taking place in the registration process is that our country's transitional process is already being rigged," Mr Nujoma told a news conference in London.

He said that, although Swapo was certain to win the November poll, Pretoria aimed to prevent it gaining the majority it needed to set the terms of a new constitution, Mr Nujoma said.

Free market supporter likely to head SEC

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush is expected within the next week to name a new chairman of the Securities and Exchange Commission who will take a more free-market view than Mr David Ruder, the current occupant.

The White House priority is to find someone who favours tough enforcement against abuses, though within a minimal regulatory framework which does not inhibit takeovers or put US companies and markets at disadvantage compared with those overseas.

Mr Richard Breeden, currently a White House assistant to the president, is widely seen as the front-runner and has the backing of key figures, such as Mr John Sununu, the White House chief of staff. Mr Breeden has been closely involved in co-ordinating the legislation rescuing the savings and loans industry.

An attorney, Mr Breeden formerly headed the Washington-based finance department of Baker and Botts, the leading Houston law firm founded by the family of Mr James Baker, the Secretary of State.

The other main contender is Mr Paul MacAvoy, dean of the graduate business school of the University of Rochester, and he is said to be preferred by some Treasury officials.

Mr MacAvoy has been described as a pragmatic free-market economist who believes that recent US court decisions have moved too far in favour of incumbent managements rather than shareholders.

Bush signs into law rescue mechanism for savings and loans

By Peter Riddell, US Editor, in Washington

THE LARGEST federal rescue in US history was yesterday launched, amid much fanfare and several news conferences, as President George Bush signed legislation to reorganise the savings and loan industry.

Armed with new powers, plus $20bn to spend before the end of September, federal regulators yesterday made an immediate start on liquidating some of the weakest savings and loan institutions (thrifts) and injecting funds to reduce the borrowing costs, and hence losses, of others.

At a White House ceremony, Mr Bush signed the 371-page bill: "A first, crucial step towards restoring public confidence." He told depositors: "You will not be the victim of others' mistakes. We will guarantee that your insured deposits are secure."

The legislation provides funds to help close or merge hundreds of thrifts which have run into trouble through a mixture of high interest rates, falling property prices, mismanagement of investments and, in many cases, fraud. The total rescue is expected to cost $166bn over 10 years, of which about three-quarters will come from the federal government.

Right after the ceremony, Mr Nicholas Brady, Treasury Secretary, conducted the first meeting of the board overseeing the Resolution Trust Corporation, which will approve operating policies for the Federal Deposit Insurance Corporation, which will manage the rescues. The FDIC has already taken direction of 262 savings and loan institutions with assets of $104bn.

Mr John Robson, Treasury Deputy Secretary, will act as interim chief executive of the board so that the corporation could begin work at once.

However, the formal launch of the rescue has been greeted with scepticism by many commentators and free-market economists. Ms Katherine England of the Cato Institute warned yesterday that the legislation could not prevent a recurrence of crises and bail-outs among both banks and savings and loans. The government had taken on the whole supervisory burden and guarantees to depositors. Mr James Davidson of the National Taxpayers' Union attacked what he called the socialising of credit risks and the continuation of insurance for bad management.

The legislation will not only involve the direct closure of hundreds of thrifts but also affect the operations of many more. It will impose tight new capital standards for levels of equity as well as controls on investments by, for example, banning holdings of high-risk junk bonds and requiring a specified minimum proportion of home mortgage lending.

About 750 thrifts may disappear and double that number may be taken over, in time, because they cannot meet the new capital standards, including higher premiums for federal deposit insurance.

The main beneficiaries are expected to be the commercial banks which will take over the thrifts and their mortgage lending business. Moreover, there is likely to be a diversion of savers' deposits from the shrinking thrift industry to other outlets such as money market funds and similar deposits offered by banks.

The main impact will be in Texas and California, where many of the problems have occurred because loans on energy-related projects and land deals have produced large losses. The federal takeover of the most ailing thrifts has already resulted in a cut of new lending and investment activity in some areas.

The injection of funds into ailing thrifts is intended to reduce their borrowing costs by replacing some of the high-interest brokered deposits. Any reduction in what is known as the Texas premium – the premium interest rates paid by ailing thrifts to attract deposits – will also cut interest rates paid by healthier bodies.

Dangers of going belly-up without a federal lifebelt

Nancy Dunne and Chris Scanlan analyse pluses and minuses of the US trend to off-budget financing

THE $166bn bail-out of US savings and loans institutions has spurred congressional concern about the increasing debt load being assumed by seven financing agencies whose borrowing is not even guaranteed by the federal government.

The seven government-sponsored enterprises (GSEs) – whose outstanding loans last year totaled $720bn – are seen to carry an implicit promise of government backing because they were established by Congress. They help to provide finance for students, farmers, home-buyers and other groups which have difficulty obtaining credit.

GSEs are an increasingly popular mechanism to finance activities the US government can no longer afford in an era of tight budgets. Because they are seen as too big to be allowed to fail, their bonds prove easy to float at comparatively low interest rates.

GSE securities have distinct advantages over the debt issued by business. They can often be held by federally regulated financial institutions under circumstances where private securities cannot. They can be used as collateral for public deposits, and interest on them is often exempt from federal taxation.

The GSEs, many of which are known by down-home, folksy acronyms, were originally established for purely economic, rather than political purposes. Fannie Mae, the Federal National Mortgage Association, Freddie Mac, the Federal Home Loan Mortgage Corporation, and the Federal Home Loan Bank system (FHLB) alleviated a regional imbalance of investment money by creating a national mortgage market. Sallie Mae, the Student Loan Marketing Association, provided the economies of scale necessary to service loans for college students.

But some Congress members have had misgivings that the GSE system was being abused. Mr Dan Rostenkowski, powerful chairman of the House Ways and Means Committee, recently worried that "manipulation of federal credit activities is becoming an inefficient backdoor way of federal spending and borrowing."

The new legislation to rescue the savings and loans bodies would create a new GSE – the Resolution Financing Corporation (Refcorp). That will issue debt directly to the public while the Treasury will pay interest on its obligations.

Refcorp follows Fico, the Financing Corporation of the Federal Home Loan Bank System. This was an earlier attempt to rescue to rescue the thrifts (as the savings and loans institutions are known), authorised to issue $10.8bn in bonds.

With assets of $664m and a negative net worth of $5.3bn, Fico has found takers for its bonds despite a specific warning on its information statement that the bonds and the interest payable are not obligations of, or guaranteed by, the US government.

Refcorp and Fico are not to be confused with another GSE – the Federal Home Loan Banks (FHLB), which provide advances to thrifts on favourable terms. They have assets of $160bn.

Mr Robert Reischauer, director of the Congressional Budget Office, complains that Fico and the proposed Refcorp differ significantly from previous GSEs because their sole purpose is to finance the liquidation, outside the budget, of federal losses on GSEs and deposit insurance.

"While government-sponsored enterprises provide certain favoured borrowers with the benefit of ready access to the capital markets, they do so at a cost of unrecognised and largely uncontrolled financial risks to the government," he said.

One GSE, the Farm Credit System, had to go to the US government for help after losses of $4.5bn in 1985 and 1986. The system, which provides cheap loans to farmers, was restructured and given permission to issue 15-year government guaranteed bonds.

The Treasury then promised to pay interest for the first five years, half the interest of the second five years, and the system, presumably recovered, is to take over interest payments in the next decade. The Treasury is supposed to be repaid eventually.

According to Mr Thomas Stanton, former associate general counsel with Fannie Mae, an effective regulatory structure for the FSC "could have reduced the debacle".

Two little-noticed studies in the thrifts bail-out legislation require the General Accounting Office to examine the need for risk-based capital standards for GSEs and require the Treasury to examine the implications of GSE borrowing. Like the Treasury, some of the GSEs are now going to foreign markets to raise capital.

Mr Stanton, now a private attorney, is calling on Congress to tighten its supervision of the GSEs, whose loss potential he compares with the current savings and loan crisis. The implicit government guarantee allows the GSEs to escape the market discipline put on private corporations, he said, so providing "a positive incentive to take risks that a company would not take if it had only its own money at stake."

In a study for the Association of Reserve City Bankers, Mr Stanton said some GSEs are subject to "toothless" regulation; others have no regulation at all.

The Department of Housing and Urban Development (HUD), which regulates Fannie Mae, is due to be assigned responsibility for the Federal Home Loan and Mortgage Corporation (Freddie Mac). "The Department is likely to be overwhelmed by its responsibility for two institutions with assets in mortgage-backed securities totaling over half a trillion dollars [$500bn]," Mr Stanton said.

Mr William Maloni, a Fannie Mae official, said the agency welcomed the proposed studies. Fannie Mae, which ran into trouble in 1979 and was losing $1m a day by 1981, revamped its management strategies and began to sell mortgage-backed guarantees.

Early this month the agency announced record earnings for the second quarter, bringing its net income to $193m, up 17 per cent from that of last year.

Mr Maloni said: "I can't conjure a situation that would cause Fannie Mae to go belly-up."

GSE SECURITIES OUTSTANDING AT END OF YEAR (Sbn)

	1975	1980	1985	1986	1987	1988	1989e	1990e
Farm Credit System								
Banks for Cooperatives	3.2	8.4	8.1	8.5	8.9	11.2	11.1	11.7
Farm Credit Banks†	23.7	53.8	61.8	55.6	35.3	43.4	42.0	42.0
Federal Home Loan Bank								
Banks	20.6	36.6	73.6	88.1	105.1	126.7	145.0	160.0
Freddie Mac								
Debt	‡	4.7	13.8	14.9	17.1	20.6	22.6	22.4
Mortgage-backed Securities	1.2	16.8	92.0	148.9	208.9	220.7	252.7	279.5
Fannie Mae								
Debt	28.2	52.3	91.7	91.6	92.6	106.0	103.8	106.5
Mortgage-backed Securities	‡	b	48.8	86.4	130.5	167.2	185.0	205.7
Sallie Mae	0.2	2.3	12.7	15.5	21.3	25.0	29.1	33.5
Total	82.3	174.8	402.4	507.5	619.7	720.7	791.6	861.3

† Before 1987, includes the Federal Intermediate Credit Banks and the Federal Land Banks
‡ Not yet chartered

SOURCE: Congressional Budget Office based on information from the Office of Management and Budget

Bush keeps hostage contacts under wraps

By Lionel Barber in Washington

QUESTION: When is a hostage negotiation not a hostage negotiation? Answer: when it involves George Bush.

For the past week, it has been obvious to most observers that President Bush is making strenuous efforts through diplomatic channels to bring about the release of eight US hostages held in Lebanon. He has sent personal messages, directly and through third parties, to potentially influential countries such as Iran and Syria – but he continues to insist publicly that he is not in negotiations (even attending barbecues, baseball games, and Boy Scout celebrations to emphasise the image of a laid-back president).

Wait a minute – as Yogi Berra, the famous American baseball coach, used to say – isn't this a case of déjà vu all over again?

In early 1986, Mr Bush, then vice-president, supported President Reagan's decision to sell a planeload of weapons to Iran, partly to secure the release of US hostages in Lebanon and partly to open a dialogue with Iranian moderates in Tehran.

In a speech to the American Enterprise Institute in December 1986, Mr Bush set out the rationale for the arms sales. He cited Iran's geopolitical and strategic importance, but added: "Humanitarian concern about the American hostages in Lebanon provided another reason to open a channel to Iran. The Iranians themselves are not holding our hostages; but we believe they have influence over those who do hold some of our hostages."

Mr Bush voiced no objections, during two White House meetings in January 1986, when Mr Reagan and his top advisers agreed to the covert sale of weapons to Iran in exchange for hostages. Indeed, on July 29 1986 – on the instructions of Lt Col Oliver North, the National Security Council aide at the centre of the Iran-Contra scandal – Mr Bush was given a briefing in Jerusalem by the anti-terrorism adviser to Mr Shimon Peres, then Israel's Prime Minister, on efforts to swap arms for hostages.

According to the congressional inquiry into the Iran-Contra affair, which interviewed Mr Craig Fuller, the vice-president's chief of staff, Mr Bush heard the pros and cons of "sequencing" – the term used for the synchronised shipment of arms to Iran and the release of US hostages in Lebanon. Mr Bush, according to Mr Fuller's notes, did not comment, except to thank the Israeli adviser "for having pursued this effort despite doubts and reservations throughout the process".

Mr Bush later conceded, in his December 1986 speech, that the Iran arms sales were "risky but potentially of long-term value". An interesting question, which has not been answered in the current hostage crisis, is whether Mr Bush still believes this, and whether he still supports an "Iran initiative".

Mr Brent Scowcroft, a member of the public commission which investigated the Iran-Contra scandal, who is now Mr Bush's National Security Adviser, has always maintained that the arms sales lay at the heart of the Iran-Contra scandal – rather than the secret and probably illegal diversion of profits to the Nicaraguan Contra rebels. The real problem with the arms sales was, Mr Scowcroft says, that it torpedoed official US policy of seeking an international ban on arms sales to nations sponsoring terrorism.

In the current hostage crisis, Mr Bush is to some extent a prisoner of his past. After Iran-Contra, he cannot be seen to be negotiating, but he has to give the public the impression that he is doing something. He eschews all talk of a *quid pro quo* – such as speeding the release of frozen Iranian assets in return for the exertion of Iranian influence over Shia Moslems holding Americans in Lebanon – but his spokesman says the main objection is over how such a ploy would look in the US press and on television. "How you would you view all that?" asked Mr Marlin Fitzwater on Tuesday at the White House daily press briefing. "I don't have any questions in my mind."

Some might forgive Mr Bush's double-talk in the current hostage crisis. After all, he is trying to steer a middle course between compassion for captive US citizens and concern for broad US national interests. In the Boston Globe yesterday, he even went as far as to say he might negotiate on hostages, providing that did not jeopardise the lives of other US citizens.

For the neutral observer trying to work out what the president is up to, the one useful piece of advice is: Don't read his lips.

Bentsen out to close tax loopholes

By Peter Riddell

LEGISLATION to reduce some of the tax advantages of leveraged buyouts has been introduced by Senator Lloyd Bentsen, the Democratic chairman of the Senate finance committee, and stands a good chance of enactment when Congress decides a tax package in September.

Mr Bentsen's proposal is to limit tax rebates known as carry-back tax refunds, which were originally designed to assist companies suffering from sharp cyclical or unexpected business downturns.

However, this loophole has been used by companies involved in leveraged buyouts, where they have borrowed so much money that the consequent interest deductions wipe out profits and produce losses.

Kohlberg Kravis Roberts, the New York investment firm which specialises in such takeovers, told the committee that while 17 of the companies it acquired paid $430m (£270m) in taxes in the year before being taken over, some $130m in tax refunds was received in the subsequent year under the carry-back provision.

Mr Bentsen's proposal would ensure that the carry-back tax refunds would not be available in cases where one company bought more than 50 per cent of another's stock largely with borrowed money and where a corporation used borrowed money to buy back unusually large amounts of its own stock or to issue extraordinary dividends.

The measure would raise about $200m in the fiscal year beginning this October and much more than that in subsequent years.

Chicago futures traders plead guilty to fraud

By Deborah Hargreaves in Chicago

THREE yen futures traders have become the first of the 46 traders indicted in Chicago last week to plead guilty to cheating customers.

The three traders, who were all active brokers in the Chicago Mercantile Exchange's yen futures trading pit, have pleaded guilty to mail and wire fraud as well as commodities violations.

Brothers Brian and James Sledz and Mr Thomas Braniff will co-operate with the government's investigation into futures fraud at Chicago's exchanges. The FBI is continuing its probe into trading abuse in Chicago and is expected to announce more indictments in the next few months.

As many as 30 of the 46 traders who were charged with racketeering as well as commodities act violations and mail and wire fraud are expected to plead guilty and co-operate with the government. Their co-operation could lead to many more charges being brought against Chicago's traders.

Canada tax plan details attacked

By David Owen in Toronto

CANADIAN Finance Minister Michael Wilson's proposed goods and services tax (GST) was fiercely criticised yesterday, after a technical paper outlining details of the new levy was tabled.

The 9 per cent value-added tax is to be implemented on January 1 1991. It is intended to replace the unpopular manufacturers' sales tax, which is collected on a comparatively narrow range of goods and is said to penalise domestically-produced products in favour of imports.

Foremost among the critics were consumer groups, who fear the tax will not be sufficiently visible, and small businessmen who wince at the possible repercussions of complying with separately administered provincial and federal sales taxes.

Predictably, opposition politicians also joined in the fray, labelling the tax "cruel" and "an administrative nightmare" and warning that it would have severe inflationary consequences.

The government itself estimates that the GST will add 2.25 per cent to the Canadian Consumer Price Index (CPI). It argues, however, that the tax will trigger significant new business investment and raise economic output.

In a further effort to curry favour for the proposed tax, on which he has in effect wagered his own political future, Mr Wilson also outlined plans to utilise the C$5.5bn in extra revenues that it will generate to help soften its initial impact in a number of ways.

About C$2.4bn of the windfall, for example, will go towards a refundable tax credit to be distributed to 9m low- and middle-income households beginning in December 1990. A further C$900m has been earmarked to offset the effect of the tax on house purchases.

Small businesses, meanwhile, will be subject to less stringent filing requirements than larger companies. Those with sales of less than C$30,000 a year may choose to remain outside the new tax system altogether.

The Finance Minister stopped short of indicating precisely which foodstuffs will be defined as basic groceries and not subject to GST.

While many financial services – including brokerage and underwriting or arranging for the placement of a securities issue – will be tax-exempt, GST will be levied on administration fees, appraisals and financial planning services.

The Canadian Supreme Court on Tuesday lifted an injunction barring Ms Chantal Daigle, a 21-year-old Quebec secretary, from obtaining an abortion, David Owen writes from Toronto.

The injunction was obtained by Mr Jean-Guy Tremblay (above left, with his lawyer), Ms Daigle's boyfriend and a former nightclub bouncer.

In a unanimous decision, the court overturned every element of the injunction. Reasons for the ruling were promised at a later date.

Before the ruling, it emerged that Ms Daigle had already had an operation terminating her 22-week pregnancy. This may leave the way open for contempt-of-court proceedings to be initiated against her.

Canada has been without an abortion law since January 1988, when the Supreme Court struck down the old one as unconstitutional. Prime Minister Brian Mulroney has indicated that his government will seek to address the subject in the autumn.

Bourassa expected to call election in Quebec

By Robert Gibbens in Montreal

QUEBEC Premier Robert Bourassa is widely expected to call a provincial election on September 25. His Quebec Liberals held 98 of the 122 seats in the old National Assembly, against 19 for the separatist Parti Québecois opposition, led by former Finance Minister Mr Jacques Parizeau.

The new Assembly will have 125 seats, and opinion polls indicate the Liberals will win a substantial majority on their record of economic management. Unemployment has fallen throughout the province and investment and modernisation in industry have been spurred.

The language issue, which made headlines early this year, has subsided and Mr Bourassa is campaigning on economic and environmental issues.

Eight of the ministers in his old cabinet are not seeking re-election and only one anglophone minister remains to represent English-speaking people, now making up less than 20 per cent of the population.

The PQ, which has become more popular with Mr Parizeau at the helm, will make a better showing than in December 1985, when it was in disarray after the resignation of the late Premier, Mr René Levesque, as leader.

Mexican deficit 'worsens'

By Richard Johns in Mexico City

MEXICO's current account deficit could be as much as $5.7bn (£3.6bn) in 1989, according to estimates made by the Confederation of Industrial Chambers (Concamin).

This compares with the official target of $4.9bn and last year's actual deficit of $2.9bn.

Concamin attributes the greater deterioration in prospect – the equivalent of 2 to 2.2 per cent of GDP – "to the indiscriminate commercial opening, the reduction in the exchange rate, and the increase in international interest rates."

Concamin foresees, however, a surplus on capital account of $5.4bn attributable to a cut in the debt, new loans and foreign investment of $3.2bn.

Yesterday, meanwhile, the newspaper El Financiero cited what it claimed to be official figures – which could not immediately be confirmed – obtained from the Bank of Mexico showing a current account deficit of $2.5bn in the January-July period.

Argentine Senate approves bill to reduce spending

By Gary Mead in Buenos Aires

A WIDE-RANGING bill aimed to cut state spending and pave the way for a balanced national budget was approved late on Tuesday by Argentina's Senate. The Economic Emergency Bill now passes to the House of Representatives, where its passage is likely to be much stormier.

The bill is widely regarded as a vital part of President Carlos Menem's plan to repair Argentina's collapsed state sector. It declares a state of emergency in the public sector and decrees the suspension for 180 days of all forms of subsidies from the Treasury to nationalised industry, which collectively in 1987 made a daily loss of $8.5m.

The bill also stipulates that, for the same 180 days, 50 per cent of industrial promotion benefits (a form of tax relief to companies based in the interior of Argentina) will be suspended. Estimates suggest that the industrial promotion scheme means an annual Treasury subsidy of $3.5bn to the companies in question.

Other elements include the removal of certain barriers to foreign investment; the suspension of laws requiring the state sector to buy goods and services from Argentine suppliers; authorisation of compulsory redundancy for the two highest categories of state employees; and jail for tax evaders.

Mr Menem's Peronist party has an overall majority in the Senate, but not in the House. Moreover, the party is deeply split over his handling of the economic crisis; those Peronist Congress members who disagree with his policies are in doubt as to what position to take on the bill.

The draft legislation has already been much diluted. The original called for complete suspension of the industrial promotion benefit scheme, but pressures from Peronist politicians in the areas most seriously threatened swayed the government. The scheme is widely accepted to be full of loopholes. Many cases have been unearthed of companies pretending to be based in the interior but in fact operating from areas outside the scheme, thereby dodging taxation.

Telecoms sell-off 'in 12 months'

By Gary Mead in Buenos Aires

ARGENTINA is to take six to 12 months in privatising ENTel, the loss-making telecommunications company, according to Mr Raúl Otero, Communications Secretary.

Various international companies have already shown an interest in the sale, he added. "Conversations" had been held with Argentine groups, with Siemens of West Germany, Telefónica of Spain, and with GTE, Bell West and Bell South of the US. He added that all groups were generally interested in the complete purchase of Entel.

Under the Alfonsín administration which stepped down last month, ENTel was the subject of a lengthy and abortive negotiation between Telefónica and the Argentine government, with the Spaniards offering $750m for a 40 per cent stake in ENTel. ENTel this year is on track for an operating loss (excluding previously incurred losses and accumulated debts) of $395m.

A successful sale of ENTel is regarded as a critical step for President Carlos Menem's government because it may well be the most immediately attractive state-owned company and has long been one of the greatest drains on Argentine public resources. Mr Menem has launched a drive to sell any nationalised companies in an attempt to tackle Argentina's serious fiscal deficit.

Brazil moves on privatisation

By Ivo Dawnay in Rio de Janeiro

PRIVATISATION returned to the top of Brazil's political agenda yesterday when Mr Mailson da Nobrega, Finance Minister, presented Congress with a plan believed able to raise some $4bn from assets sales over three years.

The outline proposal, part of a new dialogue between the government and the legislature on anti-inflation measures, came as new figures revealed Brazil's ailing state sector companies last year recorded a loss estimated at the equivalent of $5bn. About half this was attributed to the steel holding company, Siderbrás, whose successful subsidiaries are a prime target for disposal.

Outlining the sale plan to a congressional committee yesterday, Mr da Nobrega said companies included all sectors, ranging from Siderbrás subsidiaries to port authorities and sugar refiners.

Unconfirmed reports have suggested that several profitable steel plants have been earmarked for rapid disposal. These include Usiba in the north-eastern state of Bahia, and Usiminas in the central state of Minas Gerais.

Also, the government majority shareholding in Companhia Siderúrgica Tubarão, the highly successful slab exporter operated by Kawasaki Steel of Japan and Finsider of Italy, may be reduced, with a stake being sold to Propulsora, a subsidiary of the diversified Argentine conglomerate, Techint.

The extent of the government's privatisation plans, still not formally revealed, suggests that the Finance and Planning Ministries have reactivated a programme shelved earlier this year.

In January, Congress threw out a privatisation bill from President José Sarney on the grounds that it wrote a "blank cheque" for the executive.

There remains strong nationalist sentiment against privatisation in many political parties, but the continuing threat of hyperinflation appears to be forcing reconsideration.

Last week, Congress voluntarily proposed negotiations with the government on a package of new anti-inflationary measures to be agreed by the legislature and the executive.

Privatisation was among these but several congressmen have publicly rejected the sale of profitable state companies; others would approve only the disposal of minority participations.

Tinkering with such companies as Petrobrás, the state oil company, is ruled out even by leading economic liberals on the grounds that energy is a strategic sector and crucial for national security.

UK NEWS

Company sector faces prospect of deficit

By Peter Norman, Economics Correspondent

THE British company sector faces the "exceptional" prospect of operating with a financial deficit for the second year running, according to the Bank of England.

In contrast with past experience, however, the Bank does not believe that the movement of industrial and commercial companies into financial deficit in 1988 and 1989 is a sign of crisis.

In a review of British corporate profitability and finance, the Bank finds that overall spending by companies on items such as investment, dividends, interest, taxes and stockbuilding exceeded by £2.7bn total 1988 income of £91.2bn. This deficit compares with surpluses of £3.3bn in 1987 and £2.2bn in 1986.

Looking beyond this year, the Bank expects a gradual reduction and eventual elimination of the corporate sector's financial deficit as companies adjust to what it calls future pressures. Surveys of investment intentions already suggest that the growth of new investment will slow next year after rising to a record level of 9 per cent of overall domestic demand in 1988.

Reading between the lines of the report, it also appears unlikely that companies will be able to boost their overall dividend payments by almost 50 per cent as they did last year.

The Bank says the company sector's financial deficit probably declined in the first quarter of this year compared with the final 1988 quarter. However, the Department of Trade and Industry's June survey indicating that industrial investment would continue to rise strongly this year suggests the company sector will stay in deficit in 1989.

In the article, released ahead of its publication today in the Bank's quarterly Bulletin, the Bank warns against drawing parallels with previous cases in which the company sector has operated in the red.

The last two years in which substantial deficits were recorded were 1974 and 1979: years which were followed by rapid, real cuts in company spending as output fell and inflation was high.

This time, the Bank notes that the British economy is widely expected to achieve reasonable growth in 1989 with inflation well below that experienced in 1975 and 1980 despite its recent increase.

Although the corporate sector is operating in deficit, the Bank finds that its financial position is healthy in other respects. Profitability is exceptionally high; gearing remains relatively low and there has so far been no widespread evidence that companies are having problems servicing their debt after recent interest rate increases. Corporate bank deposits as a whole have continued to rise. The current merger boom also suggests that companies still have enough cash to finance takeovers.

However, the Bank's analysis only gives an aggregate picture of the British corporate finances. While some companies continue to be cash rich and untroubled by the rise in interest rates, the Bank added that some individual companies, particularly smaller ones, may already be experiencing difficulties associated with increased indebtedness.

There was strong growth of corporate bank borrowings and a rapid deterioration of company sector liquidity last year. Bank borrowings rose to £29.6bn in 1988 from £13bn in 1987 while the liquidity ratio, which measures short-term assets against short-term liabilities, shifted from 116 per cent immediately after the crash to 75 per cent by the end of 1988.

This shift in liquidity could have major implications for the future. It indicates that companies have "moved from a position in which a rise in interest rates increased their income to one in which a rise would reduce it," the Bank says.

PROFITS and sales in Britain's top private companies continued to rise last year, according to a survey of the leading 4,000 companies published today, writes Joel Kibazo.

The annual survey, by Jordans, the company information specialists, shows that 89.4 per cent of the companies included in the survey showed a profit in 1988 compared with 87 per cent the previous year. Only 10 per cent of the 4,000 companies made a loss compared with 13 per cent in 1987.

Just over 83 per cent of companies achieved a sales increase, Mr Geoff Wilcock, a director of Jordans, said yesterday. That total was up by 8 per cent.

Littlewoods Organisation, the Liverpool-based mail order, football pools and retail store conglomerate, continued to be the leading private company by turnover.

John Swire, a holding company with its principal interests in the transport sector, once again made the highest pre-tax profits, with recorded profits of £104.2m this year.

The survey shows that five of the top 20 companies with the highest profit margins are involved in property or building. That is a clear indication that the survey was conducted before the downturn in the property market.

● *Britain's Privately-Owned Companies: Jordans, 21 St Thomas Street, Bristol BS1 6JS. £95.*

Election fears raised over health reforms

By Michael Cassell, Political Correspondent

MR NICHOLAS Winterton, Conservative MP and a member of the House of Commons social services committee, yesterday warned the Government that its proposed reforms in the National Health Service could cost it the next general election.

Mr Winterton was speaking on the eve of publication of a cross-party committee's report on the Government's proposals. The committee is thought to be highly critical of several aspects of the planned changes.

The committee is understood to recommend that some of the proposals put forward by Mr Kenneth Clarke, Health Secretary, should operate on a pilot basis before full implementation is considered.

The report, which will be seized on by opponents of the NHS reforms, is thought to identify GP practice budgets and self-governing hospitals as initiatives that should have trial periods.

Some Tory members of the committee have recorded their objections to some of its conclusions, notably the suggestion that the introduction of self-governing units should be subject to local ballots.

Speaking on BBC Radio, Mr Winterton said the Government would ignore criticisms of the proposed NHS reforms at its peril.

He criticised Mr Clarke for his "confrontational" approach to opponents of the Government's plans and added: "He has gone at this like a bull in a china shop."

Mr Winterton said nobody could believe that confrontation between the Government and the health service was good for the service or for patients. He urged ministers not to ignore patients' views or to press ahead with the changes too quickly.

He added: "I hope Mr Clarke will listen and, above all, that the Government will listen."

EC pollution plan puts farmers at risk, say Lords

Michael Cassell reports on the potential threat to Britain's rural economy posed by demands to improve the quality of drinking water

EUROPEAN COMMISSION proposals to reduce nitrate pollution of drinking water could seriously damage Britain's rural economy and should be rethought, according to a House of Lords select committee report published yesterday.

The report, from the European Communities select committee, warns that if Britain is to meet the European Commission target of reducing nitrate concentrations in sources of drinking water below 50 parts per million through restrictions on agricultural activity alone, a high proportion of arable land will have to be taken out of production.

According to the report, the eastern part of England would be particularly badly hit, with half or more of the land area in East Anglia needing to be converted into unfertilised grassland or given over to trees.

Last week, the Ministry of Agriculture designated 12 special zones as sensitive areas, in which nitrate use by farmers is to be strictly controlled as part of a plan to improve drinking water standards.

Farmers are becoming increasingly concerned about the impact of nitrate restrictions, not only on farming operations but on land values.

The House of Lords report will lend weight to those who believe that Brussels has not appreciated the full consequences of its proposals.

The select committee agrees with the Commission that some form of nitrate restriction is essential if the supply of wholesome tap water is to be safeguarded, but it questions whether the Brussels plan is the most effective solution to the problem.

The Commission, in the opinion of the committee, may not have taken into account all the scientific evidence when formulating its strategy.

The authors of the report single out the Commission's "misguided belief" that relatively minor restrictions on fertilisers would be sufficient to cut nitrate pollution, while not significantly harming yield and profitability.

The report also criticises the Commission for setting an unnecessarily inflexible agenda for nitrate reduction and for imposing restrictions on member states where the water source exceeds Community limits on a temporary basis.

According to the report, the British Government's more cautious approach, based initially on the pilot programmes in selected areas, is preferable.

The committee says that such a closely-targeted programme will provide a better basis for action.

● More should be done to clean up water in Britain's canals, according to the House of Commons Environment select committee.

The committee yesterday urged the British Waterways Board, responsible for 2,000 miles of navigable canals and rivers, to carry out regular tests for bacteria and to adopt a more systematic approach to checking the standard of canal water.

While the quality of water was described as "largely satisfactory", MPs say that more action is needed.

The report adds: "We would wish to see, at the very least, regular bacteriological analysis, together with a more systematic and less reactive approach to the question of water quality generally."

Rail unions agree to pay deal

By Michael Smith, Labour Staff

RAIL UNIONS have instructed London Underground staff to work normally today following settlement of a dispute which has brought the capital's tube network to a halt for 14 days in the past four months.

The deal – which will increase the average earnings of train drivers by £16.73 per week – is likely to face criticism from some Underground workers. But union leaders yesterday emphasised that they had won significant pay increases without agreeing to the productivity concessions demanded by management.

The unions said they had cancelled a 24-hour strike planned for today and London Underground is expecting to run a normal service. However, there is a possibility that some dissatisfied tube workers will not turn up for work.

The £3m rise in the tube network's annual pay bill is also likely to confirm inflationary pressure on other settlements in light of the rash of high deals in the public sector already this year.

In addition to the BR settlement of 8.8 per cent, there have been pay deals of 8.8 per cent at the British Broadcasting Corporation, 9.2 per cent in the electricity supply industry. Unions at ICI, the chemicals conglomerate, yesterday formally accepted a 9.6 per cent deal for 25,000 manual workers.

The Underground pay package was put forward by a mediation board appointed by the arbitration service, Acas.

The increase – which is in addition to a recent pay rise for all Underground staff of 8.75 per cent – is to be implemented after the mediation board held that the increased responsibilities of drivers and guards since the introduction of one-person-operated trains five years ago had not been recognised.

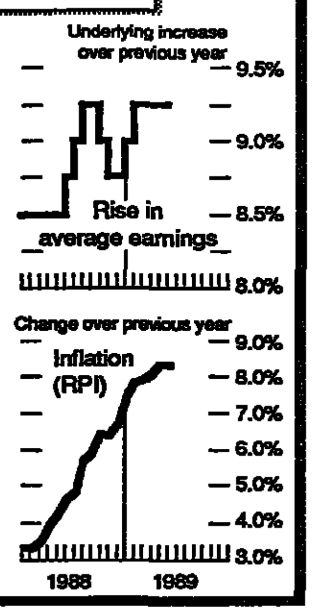
The board rejected London Underground's argument that rises should be linked to greater staff flexibility and changed working practices.

The NUR said the award vindicated its argument that London Underground had failed to honour its commitment to review the pay of train operators and guards.

Yesterday's decision marks the end of two separate industrial disputes on London Underground, one over train drivers' pay and the over the corporation's attempts to introduce a package of changes to working practices known as Action Stations.

THE RISE IN PAY SETTLEMENTS

Police	9.25%
ICI	9.6%
BBC	8.8%
British Rail	8.8%
Electricity (manual workers)	9.2%
Local government (white collar staff)	Offer 8.15%



BAe to open Saudi office to back investment deals

By Victor Mallet

BRITISH Aerospace is to open an office in Riyadh, the Saudi Arabian capital, to support a £1bn Offset Programme of UK investment in Saudi Arabia tied to British defence sales.

BAe said the offset office would be established in the next two months and would be headed by Mr Graham Flack, who is already involved in the offset negotiations and is familiar with Saudi Arabia.

The Offset Programme is supposed to generate British investment in the Saudi economy equivalent to a quarter of the new hardware sold by Britain in the wide-ranging Al-Yamamah defence project.

BAe is the main contractor for the arms deal, which includes the sale of Tornado aircraft and is thought to be worth at least £15bn.

The aerospace group's new office will provide a link between Saudi industry and potential British investors. It will also support the specialists for investment projects submitted by BAe.

"What we're going to do is grow it progressively as the number of projects begins to increase," said a BAe official. "BAe have a very strong position to play in making sure that the overall programme is a success."

Despite having voiced some doubts about the effectiveness of the Offset Programme, the British Ministry of Defence has announced five initial proposals for British investment.

Peers reject European proposals on sex bias

By Richard Donkin

PROPOSALS by the European Community to change the burden of proof in sex discrimination cases, placing the onus on employers to establish they had not acted unfairly have been rejected in a House of Lords select committee report.

The report supports the argument put forward by the Confederation of British Industry, the employers' federation, that reversing the onus which exists at present in industrial tribunals would be difficult to apply within the British legal system. The different ways in which member states enforce EC rules, it said, were too great to create a provision which could achive real benefit.

Instead, it supports proposed EC procedures which should allow more sex discrimination cases to be brought in other member states. France, for example, has only about two cases a year due to lack of support for complainants and complex legal procedures.

The UK held 691 tribunals in 1987-88 considering claims under the Sex Discrimination Act and 1,043 under the Equal Pay Act.

The EC proposals on burden of proof – which because of the differing legal arrangements in other member countries would only have directly applied to the UK and Ireland – was supported by the Trades Union Congress (TUC). The TUC argued that the proposals would have clarified existing case law and reduced costs of litigation.

Employers, however, feared a change in the burden of proof would lead to an increase in sex discrimination cases.

The Lords Committee on the European Communities, which prepared the report, argued that while the objective of the proposals was admirable, efforts to harmonise national methods of enforcement were fraught with difficulty.

The report welcomed moves to allow complainants access to documents and information. It also recommended that all member states should be obliged to provide effective administrative or judicial remedies, since some legal systems used in many member states are considered too complex.

It also recommended legal and financial assistance for test cases by victims of discrimination. This already happens in the UK, said the report, where it is dependent upon adequate funding of the Equal Opportunities Commission, described by the Lords as "essential" to such cases.

MoD order with Dowty-Sema is blow to Ferranti

By Alan Cane and David White

DOWTY-SEMA, a seven-year consortium comprising companies from the Dowty, Sema and Racal groups, has won a victory over Ferranti International for the contract to supply command and control systems for the Royal Navy's new Type 23 frigates.

The award of the contract, made by the Ministry of Defence after more than two years of intensive definition and evaluation, is worth over £125m to the consortium.

The fixed-price contract with Dowty-Sema includes systems for Royal Fleet Auxiliary oiler and replenishment ships as well as the anti-submarine Type 23s.

Yesterday Mr Guy Warner, managing director of Dowty-Sema, said the full value to the company could be more than £500m in terms of further orders from home and abroad.

It represents a substantial blow to Ferranti, which has now lost the initiative in the supply of advanced computer systems for vessels both above and below the waves. Dowty-Sema earlier displaced Ferranti from the contract to provide a command system for Royal Navy submarines.

Ferranti said yesterday that the MoD verdict was decided on price. "There is a price below which the company is unable and unwilling to go," it said. It was "naturally very disappointed," but the decision was not disastrous. Its command and control operations had a healthy domestic and foreign order book.

Ferranti said that it still intended to maintain its bid against Swedish and Dutch competitors for a £100m contract for a joint Australian-New Zealand frigate project.

Command and control systems are the intelligence behind a vessel's sensors and weapons.

The successful Dowty-Sema bid breaks ground in that it is distributed through a network of 280 microprocessors and will be programmed in the new US Defense Department computer language called "Ada."

More than 200 software engineers using the most powerful computer-based tools will be engaged in writing the system. When complete, it will be the most advanced of its kind afloat.

It will, however, be going into service in the mid-1990s, several years behind schedule. The delay was caused chiefly by the abandonment of Ferranti's first offering, the CACS 4, which proved to have insufficient power for the task.

As a consequence, the first five Type 23 frigates will enter service without a system and so will be unsuited to any other than a peacetime role. The vertical-launch Sea Wolf, for example, designed to defend against missile attack, would be incapable of distinguishing between friend and foe.

Thorn and Stet join telecoms consortium

By Hugo Dixon

STET, the Italian state-owned telecommunications group, and Thorn EMI, the UK conglomerate, are joining a consortium formed by STC, the UK information technology group, to bid for one of Britain's personal communications licences.

Personal communications, a concept pioneered in the UK, are designed to bring mobile communications to the mass market. Competition for licences has excited considerable foreign interest because successful applicants will get a slice of Britain's fast-expanding mobile communications market.

STC said last month that it was teaming up with US West, one of America's Baby Bell telecoms operators. Thorn and Stet will make the consortium a formidable competitor for one of the licences.

One advantage of including Thorn is that the group might have been tempted to form its own consortium. By joining forces with STC, both parties eliminate a competitor.

Thorn's expertise in renting and retailing consumer electronics goods is expected to be valuable because personal communications are likely to become the next big consumer product. Thorn has 2,000 high street outlets in the UK.

The involvement of Stet is important for diplomatic reasons. It increases the likelihood that personal communications will be adopted throughout Europe. Both France and West Germany have expressed doubts about the system, leading to fears that Britain could be developing a technology which no other country would use.

Stet's inclusion in the consortium could help redress the balance. The company is a leading telecoms operator and equipment manufacturer and is expected to push for personal communications as an international standard.

Shareholdings of the consortium are not being revealed. However, STC and Thorn control over half the shares.

STC's consortium is the first to finalise members. Two other consortia – one involving Mercury Communications and Motorola of the US; the other involving GEC, Plessey and BellSouth of the US – have revealed some members.

● Citicorp, the US banking group, said yesterday that it did not intend becoming involved as a principal in any bid for a licence.

Citicorp Venture Capital, one of the group's subsidiaries, holds a 24 per cent stake in Race, a Welsh electronics company that intends to apply for a licence. Citicorp said its involvement in personal communications began and ended with that stake.

Companies House to unveil extra services

By Michael Cassell, Political Correspondent

FURTHER improvements in the level of service offered to customers of Companies House will be announced today by Mr John Redwood, the Minister for Corporate Affairs.

Mr Redwood will be visiting the Cardiff offices of Companies House, which became the first operation within the Department of Trade and Industry to achieve agency status, under which it operates on an "arms length" basis from its sponsoring department.

The intention is to introduce private-sector principles into government department operations. The DTI is particularly pleased with the improvements in service achieved by Companies House, which holds information on more than 1m companies registered in England and Wales.

About 70,000 company records are searched each week at offices in Cardiff, London and Edinburgh.

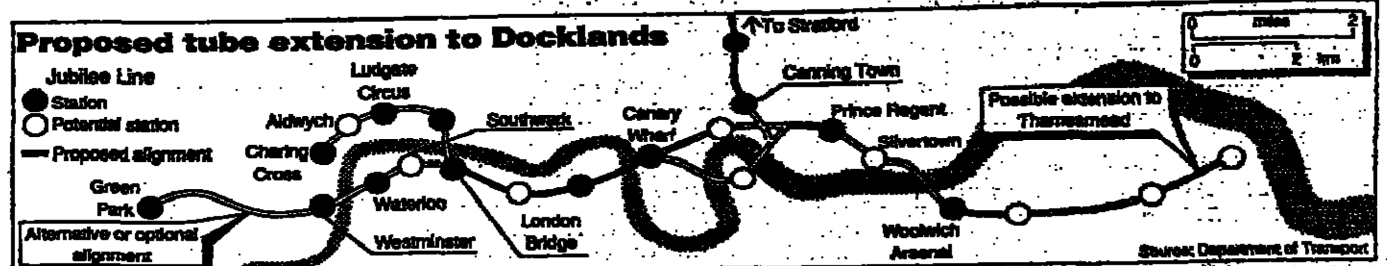
Mr Redwood is expected to announce that the agency is introducing a facsimile service in order to provide speedier access to company records for customers outside London and Cardiff. Search times are also being reduced and document processing is being speeded up.

The DTI has been among the more enthusiastic supporters of executive agency status. There are already three within the department and a further six are planned by early next year.

Ministers expect to transfer about half of all DTI staff – which currently numbers 13,000 – employed via the agencies. Each will have clearly defined targets and will, according to ministers, be left free to provide customer services in the way they choose.

Private cash sought for Docklands Tube

Hazel Duffy on the trend towards private funding of public transport



THE RACE to put a modern transport system into London's Docklands has revealed a new twist in the Government's search for means to make the private sector pay for public transport.

Civil servants from the Treasury and the Transport Department, and their advisers, are negotiating with developers to pay a share of the cost of the much-needed extension of the London Underground to Docklands.

The plan is that an agreement in principle will be in place in time for the enabling bill to be introduced in Parliament this autumn.

The £900m-plus extension of the Jubilee Line was recommended by consultants to the Transport Department in the recent East London Rail Study. It would go from Green Park, in the West End of London, to Waterloo, then along the south bank and back across the river to the Isle of Dogs, site of the Canary Wharf complex, and eastwards.

Docklands developers – actual and prospective – would not be the only ones to benefit. The Government argues that owners of land and buildings on the south bank, where businesses have moved for respite from high City rents, would see their values go up on the back of better transport links. So officials have been knocking on doors in Bermondsey and Southwark as well as Docklands.

For Docklands the link is vital. The light railway, even when its capacity has been expanded, will be wholly inadequate to the job of ferrying in and out the numbers of people who will live and work there in five to 10 years, if all goes according to plan.

Both parties, government and developers, have a lot to play for. Mrs Thatcher wants to point to the successful redevelopment of the former London docks as vindication that the private sector will invest on the back of government pump-priming, and that her Government can do what the local councils had failed to achieve in Docklands. It is a formula which is being tested in the other 10 urban development corporations.

Model of co-operation: Mrs Thatcher examines the Canary Wharf project with Paul Reichmann

For the developers, good public transport is the essential prerequisite if their investments are to pay off. Docklands has been dogged by poor communications, which are only now being made good.

The Government's original commitment was £77m to cover the cost of the light railway. It was a low-cost project designed to start the ball rolling. If Docklands had been a flop, at least the Government would not have been left with a costly white elephant on its hands.

Since then, public financial support through the London Docklands Development Corporation has increased to around £400m. This year, with the start of the £250m Limehouse link road (to include rehousing of council tenants) the grant peaks at £177m.

The difficulty with Docklands is that its very success prompts the need for more money. The LDDC's revenue from land sales is going up, but so are the demands for expenditure. This year, it will spend £51m on helping the community.

The total taxpayers' bill would have to include the tax benefits and rates holiday for the developers in the Isle of Dogs enterprise zone.

With these figures in mind, the Government is trying to minimise the cost of the new Underground extension. The idea that the private sector pay part of the cost of Docklands public transport first surfaced when the Reichmann brothers, who control Olympia & York, developers of the £3bn Canary Wharf complex, agreed to pay £68m towards the £181m cost of extending the Docklands light railway from Tower Hill to Bank, in the City.

The Underground extension requires private funding on a much bigger scale. Just how much has not been revealed. It hinges around the "financing gap." The public will pay, of course, through fares. These could be higher than on the rest of the Underground, on the basis of superior service.

The benefits of the new line in terms of taking traffic off the roads will be calculated, as part of the public contribution.

Chartered surveyors advising the Government team are doing the sums on the enhancement of the land values in Docklands and elsewhere.

Although it will be a very difficult exercise to measure the benefits, one leading developer in Docklands said yesterday: "I do not think it is insuperable." As long as the total private contribution from developers and others is less than half the cost of the extension, there seems to be a degree of willingness to talk with the Government.

The idea of getting companies to contribute is gaining ground. In Cardiff Bay, for instance, the development corporation and Associated British Ports recently came to this sort of agreement.

But the current negotiations on Docklands add a new dimension to the Government's efforts to get the private sector to take on part of the costs of improving Britain's transport.

In Manchester, for instance, a new light rapid transport system is planned. A private consortium, still to be named, will pay for the construction of the railway, and be given the contract to run it.

Again in Docklands, the LDDC will finance the soon-to-be-started eastwards extension of the light railway from the sale of land to developers. The Government will smooth over the bumps by lending to the LDDC. This mechanism is giving rise to tough negotiations with the LDDC's chosen developer for part of the Royal Docks, Rosehaugh Stanhope, on the timing of the release of the land, and the price.

The other urban development corporations do not have the same land values to toss around as in Docklands. In the Black Country, for instance, the vital road link to nearby motorways will be paid for by the Government.

Over to the east of Birmingham, however, there is the possibility that a group of contractors will put up a good part of the finance for a new road, which, potentially, will boost the value of land in this run-down part of the city.

Roads have been accepted as a public responsibility. The exceptions have been access roads, to which developers have sometimes contributed. Now the Government is keen to encourage more private money in roads. But it has not yet found a scheme whereby the promoters could unlock the potential property gains alongside the roads.

Editorial Comment, Page 16

BR changes Kent route to Channel tunnel

By Joel Kibazo

BRITISH RAIL yesterday bowed to pressure from environmental and residents' pressure groups and announced three important changes to the Channel tunnel rail link through Kent to London.

The changes to BR's preferred route, over the section between Swanley and Folkestone, now mean that the London tunnel between the Waterloo terminal and Swanley will be extended to the east of the M25 motorway. BR says this will largely eliminate the effects of the rail link on the Swanley area.

The proposed route across the Darenth Valley will be moved from north of the existing railway line to the south. This should lead to "a major reduction" in the environmental impact on nearby residential property.

BR says a realignment and increase in length of the North Downs tunnel will significantly reduce the environmental impact on the Istead Rise area, and give a better route in the Halling area.

In addition BR said the alignment of the rail link will be lowered in a number of places between Medway and Ashford, at the A229 road, Boxley Valley, Harrietsham, Westwell Leacon and Tutt Hill. BR confirmed that the rest of the route will follow the M20 motorway and the existing railway.

The changes are an important victory for protest groups which have been campaigning against noise and disturbance levels of fast trains that would have gone past residential areas and villages.

The announcement came after five months of consultation with local authorities and pressure groups which followed the announcement in March of the original route.

Some 60 options were put forward by protest groups and were examined by BR and its engineering and environmental consultants.

Most of the rejected options would have involved additional tunnelling where, "the increase in costs was so great as to outweigh the benefits of adoption," BR said.

Mr John Prescott, shadow Transport Secretary said: "I welcome the fact that BR has recognised the real environmental problems that exist and have made changes."

He added, however, that BR had not said what the extra cost of the improvements would be nor who would finance them.

● BR confirmed yesterday that it is to order 30 high-speed trains in conjunction with French and Belgian railways to run between London, Paris and Brussels.

Contact tenders for the trains are expected by the end of the year.

Company in Abbey share row had few machines

By Richard Waters

THE DIRECT MAIL house at the centre of the Abbey National share-burning controversy had little equipment to handle the volume of work it took on during the July flotation of the building society.

This information, which emerged yesterday, will intensify pressure on Lloyds Bank, Abbey National's agent in organising the distribution of the share certificates, to justify its use of the company, Business Mailing Services.

An estimated 300,000 share certificates handled by Business Mailing Services, of Greenwich, London, were burnt rather than sent out to Abbey National shareholders.

The company has only two inserting machines (which place material into envelopes), each with a capacity to handle a maximum of 5,000 items an hour. However, the bulky publicity material that accompanied the share certificates would have considerably slowed this process.

Mailing houses which took part in the Abbey National flotation put the likely speed at more like 3,000 items an hour.

At this rate, it would have taken the company nearly six days working round the clock to process the 885,000 certificates that it undertook to mail.

Lloyds Bank, organisers of the mailing on behalf of Abbey National, refused to say yesterday how long before Wednesday July 12, the first day of share trading, the mailing house was given the material.

However, another company involved in the issue said it received the documents the previous Friday, giving it four days to mail the certificates for receipt the next Wednesday.

Lloyds said yesterday it had tested Business Mailing Services' ability to handle the mailing during May, in preparation for the flotation.

The company had also worked for the bank twice before, although on a far smaller scale.

The bank also claimed that the limited machinery at the Greenwich company does not give a true indication of its capacity. Mailing firms often employed teams of people to fill envelopes manually, it said.

Business Mailing Service was given about 20 per cent of the Abbey National share certificates to mail, of which around a third are thought to have been destroyed.

Lloyds yesterday served a writ on Business Mailing Services for the recovery of publicity material due to be sent out with the destroyed certificates. It said that the material will now be included with the duplicate certificates, which it has already begun to mail.

Corgi may face Matchbox bid

By Nick Garnett

UNIVERSAL MATCHBOX, the Far East-based toy manufacturer, has shown an interest in acquiring Corgi Toys, the sole mainstream UK producer of die-cast vehicles.

Corgi was part of Mettoy, which went into receivership in 1983 shortly after most of the other big names in the British toy industry, such as Airfix and Dunbee-Combex-Marx, also went aground.

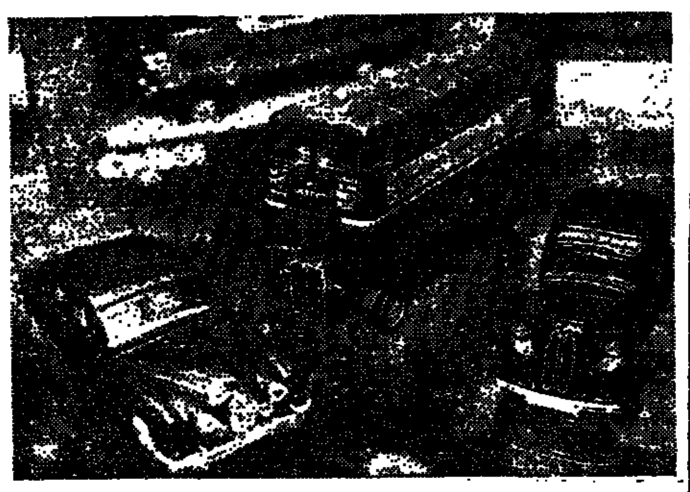
Since a management buy-out in 1984, Corgi, which is based in Swansea, has raised its sales from £6m to £14m. It produced about 15m toy cars and collectors' vehicles last year from a range of more than 500 models.

Universal, a quoted company on the New York Stock Exchange which also owns the Dinky brand name, manufactures its miniature cars in China and Macao.

Mr Michael Rosser, Corgi's chief executive and a significant shareholder, said yesterday that Corgi had been approached by a number of companies, but was not up for sale. The management had no interest in selling to Matchbox, he said.

However, Universal Matchbox has had discussions with Electra, a finance company which has a 65 per cent holding in Corgi.

It is thought that Electra quoted a possible purchase price for Corgi but that this was viewed as too high by Mr David Yeh, the Hong Kong businessman who is the biggest shareholder in Universal. Electra was not available for comment yesterday.



Alan Harper

Die-cast model vehicles from Corgi's Classic collection

Mr Rosser said finance companies were always prepared to consider the sale of assets at the correct price.

He said that Corgi had a big development programme in hand, it made a profit and its management's view that the company should not be sold would have a strong influence on Electra.

Corgi, which has a workforce of about 400, has been developing other businesses including sub-contracting, and has a new joint venture production plant in China.

It gained market share in Britain last year from Universal which also supplies die-cast miniature cars, mainly under the Matchbox label. However, in the past six months Corgi has lost sales because of fierce pricing competition from Matchbox.

Matchbox has closed its production plants in the UK. The last, at Rochford, Essex, closed two years ago.

Amstrad gains dominant share in satellite TV sales

By Raymond Snoddy

MR ALAN Sugar's Amstrad Consumer Electronics is taking a dominant share of the emerging market for satellite television receiving equipment.

According to a study of the market carried out by consultants McKinsey for SES, the company that launched the 16-channel Astra television satellite, Amstrad is taking more than 63 per cent of the market. Grundig is in second place with 12 per cent and Alba third with 10.6 per cent.

SES sees the first five months of satellite television as a great success, outstripping purchases of colour televisions, or video recorders. At £199 for basic equipment, however, satellite is much cheaper.

The McKinsey study, based on a sales survey in multiple stores and independent retailers, suggests that 78,900 dishes had been sold by mid-July.

SES believes that 500,000 receivers will be sold or rented in the first year, although manufacturers capacity is 1.2m.

As much as £20m is likely to be spent on promotion in the UK this autumn, with the Luxembourg satellite company bringing all its satellite programme providers together for a joint promotional campaign.

The aim is to push Astra equipment before British Satellite Broadcasting – in which the Financial Times' parent company Pearson has a stake – is launched next spring.

"We have a unique opportunity between now and Christmas and we have to take it," Mr Malcolm Darbyshire, the SES head of UK operations said yesterday.

Home Office warned on broadcasting takeovers

By Raymond Snoddy

CENTRAL Independent Television has warned the Government that British commercial broadcasters could become "powerless prey" to other European Community investors if current proposals go ahead.

In its white paper on broadcasting, the Government said commercial broadcasters could be subject to takeovers like any other company and excluded only non-EC companies from controlling British franchises.

In a study which has been sent to Mr Timothy Renton, the Home Office minister responsible for broadcasting, Central warns that Britain will be unique in the Community in allowing unfriendly takeovers of its broadcasting companies.

With the exception of Italy, Central points out, no opportunity exists within the Community for British television companies to enjoy the kind of freedom that the British Government is proposing to offer EC broadcasting companies in the UK. A UK broadcaster would not be entitled to hold even a minority stake in the television industry in the Netherlands or Portugal.

"Elsewhere, takeovers of broadcasting companies are virtually unknown, because of complex national, and, in the case of West Germany, regional regulation," Mr Marshall Stewart, a Central executive, argues.

The study, carried out by Mr Pascal Volle, sets out the details of broadcasting ownership and regulation across all EC countries.

Computerised money market sought by Bank

By David Lascelles, Banking Editor

THE BANK of England hopes that at least 60 financial institutions will back its plans to introduce the computer into one of the City's most traditional markets, the trading of bills and sterling instruments.

Unveiling its blueprint for a new Central Moneymarkets Office (CMO) yesterday, the Bank said it would need that level of support to get the £11m project off the ground. If successful, it will eliminate the mountains of paper generated by the market, and the scores of messengers and clerks who have to carry and sort it.

The Bank's initiative followed the collapse last year of LondonClear, a private sector project, because banks failed to agree on how it should be funded.

The Bank believed that automation of the sterling markets was of such importance to London's standing as a financial centre that it decided to tackle the task itself.

Most other leading financial centres have computerised their financial markets, and London is in danger of falling behind.

After nine months of study the Bank has come up with a plan modelled on the Central Gilts Office, which it has successfully operated for many years for the gilt-edged market. The London market is unique in several respects, so foreign models could not be imported.

The CMO will act as a central registry for sterling money market instruments, such as bills and certificates of deposit. Once they have been issued, they will be physically stored in a vault at the Bank, but any change in ownership will be electronically recorded during trading.

At the moment, this work is all done by hand, and bills have to be physically delivered from one bank to another. It is thought likely that the CMO will eliminate about 200 jobs, although no one has ever tried to assess precisely how many people this most traditional of City activities involves.

The new system, using Tandem computers and the Bank's own software, has been designed to handle about 50,000 transactions a day, running up to peak rates of 5,000-6,000 every quarter of an hour.

The Bank estimates that the project will cost £11m, substantially less than the £16m for LondonClear, but it is a simpler system, and the Bank will be able to graft it on to existing facilities.

The Bank intends to run it as a non profit-making operation with three forms of income: membership fees, charges for storage and transactions.

The potential membership includes the UK's three main classes of bank: the clearing banks, the merchant banks and the discount houses; while UK and non-UK institutions will be equally welcome. The Bank would like to attract about three-quarters of the estimated 80 potential users. They will be able to use the CMO either as direct members, or indirectly by using a direct member as a nominee.

The advantages of the CMO, according to the Bank, are higher efficiency and security for traders in the sterling markets. It will enable the system to be expanded, and will pave the way for the elimination of paper from the markets, a process known as dematerialisation. The efficiency and security of payments will also be improved.

The Bank hopes to launch the CMO in late 1990.

Investment leaves Unipart profits static

By John Griffiths

INCREASED investment by Unipart, the vehicle parts and accessories group once controlled by the formerly state-owned Rover vehicles group, has left profits static for the first half of this year, Mr John Neill, chief executive acknowledged yesterday.

However, the investment programme, totalling just over £40m for 1988 and this year, is positioning Unipart to produce "world class" products for original equipment customers such as Honda and Rover, Mr Neill said.

Unipart has just commissioned a new exhaust manufacturing plant in the Midlands to supply the Honda Concerto/Rover R8 range of cars which is to be built by Rover Group, and the first models of which are to be launched later this year.

The exhaust plant is at Coventry, where it is sharing a site with the Coventry Components subsidiary which produces Unipart's "gold seal" re-manufactured engines and transmissions.

Unipart's pre-tax profit for the first half of £7.388m is virtually unchanged on last year's corresponding figure of £7.344m, although turnover was £16m higher at £256.5m.

"We made it clear that we anticipated little if any earnings growth this year as a result of our investment programme," said Mr Neill.

ACCOUNTANCY COLUMN

Institutes' incorporation line unpopular

By David Waller

AT LAST, after five years of *debate, the accountancy bodies* have made up their minds on the vexed issue of incorporation and independence.

However, in taking the compromise line that outside shareholders should own no more than 25 per cent of an auditing firm – rather than the 49 per cent allowed under the law – the institutes risk offending and annoying nearly all the interested parties.

Those who could be disgruntled *at the institutes' recom*mendations last week include:

● The competition authorities – the Office of Fair Trading and ultimately the Department of Trade and Industry – which may find that the proposals improperly preserve the accountancy profession's monopoly over audit business.

● The Big Eight (shortly to become the Big Five) firms. They lobbied strenuously to outside shareholders for a 49 per cent ceiling – not because they were desperately concerned to sell out but because they wanted the maximum flexibility under the law.

● The medium-sized firms. A curious discrepancy arises here between their written submissions to the English *ICA's* original consultative document and their pronouncements in the wake of last week's recommendations.

According to the institute, *several of these firms said they* would complain to the OFT if denied the right to sell 49 per cent of themselves to outsiders. The reasoning for this was that they needed the capital injection to compete with the Big Eight.

Oddly, the medium-sized firms restrained themselves to relatively mild condemnation of the latest proposals this week. Mr Christopher Swinson, a partner at BDO Binder Hamlyn *and a member of the Coun*cil of the English ICA, said: "The 75/25 rule is Victorian and nanny-like."

He, and many others like him, would have preferred an endorsement earlier put together by Mr Philip Couse, the current president of the institute, and published a year-and-a-half ago, which made a distinction between non-accountant shareholders within the firm and those outside the firm altogether.

Under the Couse plan, management consultants, non accountant tax advisers and the like working under the same roof, could have owned up to 50 per cent of the firm while outsiders – whether the *Barclays Bank or Sir James* Goldsmith – were limited to 25 per cent.

● The sole practitioners and accountants working in small firms. The ICA's findings suggested that the further "down" the profession one went, the greater the objection to incorporation/outside shareholders "as a matter of principle." They objected to the proposals because they were too liberal, *not the other way* round.

● Finally, potential investors in the accountancy profession. The biggest of these is of course 3i, which has lent some £100m to approximately 200 *professional firms, the vast* majority of which are accountancy practices.

Mr Derek Sach of 3i, welcoming the idea of incorporation – "it means that firms will be able to finance themselves on a much sounder basis" – believes that the 25 per cent rule is too limiting. "It simply restricts the range of what is possible," he said.

So, remembering that the rule changes are unlikely to take effect until early 1990 and have to be approved by the memberships of the institutes and vetted by the OFT and the DTI, what are the likely effects on the profession?

There will be structural changes within the firms but *these will be limited. Most of* the big firms already have more than 25 per cent of partner-level people in non-accounting disciplines. Given their understandable intention to expand the faster growing non-audit businesses, that proportion will rise and it will become impossible, in practice, to broaden the base of the partnership away from the accountants.

However, there is likely to be a blurring of the partner/staff distinction as managers and others at the middle of the firm will be able to own shares – "a very significant cultural change," according to Mr Swinson.

At various stages during the incorporation debate, there was talk of accountancy firms taking advantage of their new status to seek a listing on The Stock Exchange. The new rules preclude this, given that directors of auditing firms will be given powers to vet new shareholders, such as they could not do if there were a free market in the firm's shares.

In any case, investment interest in the sector is likely to be slender in spite of the formidable growth enjoyed by the firms in recent years. So precious is the auditor's independence that the outsider will have no power over the running of the business at all. He *or she will not be able to nomi*nate anyone to the board and will not be able to influence the level of dividend payout. It will be the ultimate in passive investments: one that it won't be possible to sell, except with the approval of the company itself.

It will assist the firms in organising their finances which, according to Mr Sach at 3i, are frequently shambolic. It *may, in time, lead to a spate of* acquisitions as the firms push out paper to make a one-off strategic purchase which could not be financed either via debt or out of the partners' pockets.

Paradoxically – given the level of *opposition to the pro*posals from the grassroots of the profession – it is in the smaller practices where there could be the biggest changes. Entrepreneurial accountants will be able to go into partnership with the likes of ex-bank managers. This could mean a great change in the range of services available from the high street firm.

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ON A separate matter, it was mildly ironic to see Arthur Young owning up to making a mistake in the accounts of Budgens – the former Barker & Dobson – for 1986 and 1987.

This unusual admission *came last Friday after* a lively annual general meeting, during which Allied Dunbar – a large investor in the company – complained that the supermarket group's 1988-89 annual report disclosed the existence of a provision which dated back to 1986 but had not found its way into the accounts before.

The provision – originally £9m but falling to £6.23m in 1987 *and £1m this year – dated* back to 1986 when B&D bought the Budgens business from Booker. It was made, under acquisition accounting rules, to cover future rationalisation costs. In the 1986 and 1987 *accounts it sat anonymously* under the "other creditors" caption.

Mr Ralph Riddell-Carre, an Arthur Young partner, acknowledged that the accounts were wrong under Company Law and should have disclosed the provision before 1989. He said that the provision had not "leaked" back into profits – a point accepted unreservedly by Allied Dunbar.

Back in November last year, it will be remembered, Arthur Young pitched into Strong & Fisher's takeover bid for Pittard Garner. It assisted Pittard in taking a meat cleaver to Strong's accounts. The main plank of the attack was that Strong was exploiting acquisi*tion accounting to boost its* profits and had failed to disclose an £8.5m provision set up when it made a £24.3m acquisition in the previous year.

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Clearly applicants need knowledge of UK taxation, but the ability to learn quickly, think creatively and communicate effectively are considered just as important.

As a stepping stone to developing a career in financial management, this position offers considerable potential. In the meantime a normal benefits package includes pension scheme, bonus and share option schemes.

Interested? If so send a comprehensive curriculum vitae enclosing details of current salary and a daytime telephone number in the strictest of confidence to:–

HODGSON IMPEY

Andrew G Sales (Ref F065)
Director
HODGSON IMPEY
SEARCH & SELECTION LTD
50 Pall Mall, London SW1Y 5JQ

Director of Finance

KINGSTON POLYTECHNIC

SURREY TO £40,000

As a leading polytechnic, Kingston is well renowned for the excellent quality of its wide portfolio of courses. With over 7,000 students and 1,500 staff, its current level of annual expenditure is some £30m. Continued growth is an important strategic objective, as is forging even greater and closer links with industry and its European connections.

Last April Kingston was established as an independent statutory corporation. Thus to assist in the implementation of this critical transformation period and to manage an efficient and effective finance function the new post of Director of Finance has been created. As such, you will report directly to the 'Principal' and be a member of the 'Executive' to participate in the overall management of the organisation. Important aspects of the role will include identifying new funding sources, financial systems improvements, financial planning and control; management information development, treasury management and capital expenditure appraisal and monitoring.

You will be a qualified accountant, preferably a graduate, aged over 35. You must have had sound financial management experience in the private sector and ideally some public sector practice also. Personal qualities must include the ability to manage change in a complex and intellectually demanding environment.

In addition to a salary of up to £40,000 there is an index linked pension, life insurance scheme, 6 weeks annual leave and up to a further 20% leave of absence is allowable to pursue other relevant personal work.

Résumés, with daytime telephone number please, to Chris Haworth, ref CH598, Coopers & Lybrand Executive Resourcing Limited, Shelley House, 3 Noble Street, London EC2V 7DQ.

Executive Resourcing
Coopers & Lybrand

Group Chief Accountant

Shropshire/Welsh Border *c.£27,500 + car & bonus*

This highly profitable Group, founded sixteen years ago, enjoys an enviable reputation for product innovation and consistently high quality in the field of electronic process control. A successful strategy for expansion has been based upon impressive organic growth and selective acquisitions, both in the UK and overseas.

Reporting to the Finance Director, you will assume overall responsibility for the preparation and presentation of consolidated management and statutory accounts. Assisted by a small department of four staff you will maintain close links with the finance function at the eleven subsidiaries within the Group. Other duties will include treasury matters — including cash and currency exposure management, payroll supervision and the maintenance of accounting standards.

A Qualified Accountant, in your late twenties to early thirties, you will have operated at management level in a structured commercial or manufacturing environment. Experience will include the preparation and consolidation of statutory accounts for overseas subsidiaries. Personal qualitites must include flexibility, strong communication skills and a high level of commitment.

The remuneration package will include participation in a profit share scheme. Relocation assistance to this attractive area will be offered where appropriate.

Please reply in strict confidence to Stephen Bailey with details of career experience and salary progression, education, qualifications and age, quoting reference 6012/FT on both envelope and letter.

Deloitte Haskins+Sells
Management Consultancy Division
35 Newhall Street, Birmingham B3 3DX

FINANCE DIRECTOR

Brighton

c. £35,000 **package + car etc***

Following its recent acquisition by a successful and rapidly expanding £500 million turnover group, this £40 million turnover wholesaler and distributor of branded goods to the leisure sector wishes to strengthen its Board by appointing a commercially aware financial executive.

As one of three directors reporting to the MD, you will be expected to play a pro-active role in the management team and make a personal contribution to the bottom line. Specific initial challenges will include major improvements in budgetary control, planning and management information, and the implementation of sophisticated new computer systems covering all aspects of the company's activities.

A qualified accountant with experience relevant to the size and nature of this operation, you must have the necessary personal qualities both to initiate and carry through radical developments in the finance function and to participate constructively in running the business as a whole.

* In addition to an excellent package of fringe benefits, including profit sharing and executive car, the company will pay full relocation expenses where appropriate.

Please send a comprehensive career résumé, including salary history and day-time telephone number, quoting reference 3062, to Graham Perkins, Executive Selection Division.

Touche Ross
Thavies Inn House, 3/4 Holborn Circus, London EC1N 2HB.
Telephone: 01-353 7361.

"A realistic impact on organisational efficiency can only arise alongside effective internal audit"

Accountant c£25,000 + car

Rediffusion Simulation Limited is a major force in the manufacture of highly advanced commercial and military flight simulation equipment. The quality of our product and the technological edge we have over the competition has engendered consistant organic expansion that, with orders in excess of £200 million, will be a continuing feature of the company's development.

We realise that internal systems and procedures must be continually reviewed to ensure they meet the needs of a larger organisational structure. The Internal Audit function plays a key role in this process so we are looking for a chartered accountant to join our financial management team.

As well as developing the internal audit programme you will interface with external auditors, developing proforma schedules and other data for use during the annual audit. A major part of your brief will be the co-ordination of financial and operational reviews for the continuous measurable improvement programme.

With at least 3 years' experience in the profession you will be familiar with UK reporting and tax requirements. Experience of MoD and DoD would be particularly useful. Most important are excellent communication skills and the ability ot interface with all levels of management.

As well as a competitive salary and company car, we offer all the benefits of working for a progressive multinational organisation, including assistance with relocation where appropriate.

Please write with full details to: Carol Bates, Senior Personnel Officer, Rediffusion Simulation Limited, Gatwick Road, Crawley, Sussex RH10 2RL.

REDIFFUSION SIMULATION
A GM Hughes Electronics Company

UK Treasurer

A major treasury position in a top UK group

To £38,000

Our client is a London-based group which is one of the world's leading service companies.

Continuing growth has emphasised the vital importance of the treasury function, and the Group Treasurer now wishes to appoint a UK Treasurer to manage the treasury requirements of the group's UK businesses.

Prime responsibilities will be to develop and manage UK debt, including both capital markets and bank sources of funds, to analyse and devise effective solutions to specific financing problems, and to ensure efficient treasury operations in the UK by selecting the most appropriate techniques, instruments and systems.

The person sought will probably be a graduate and/or professionally qualified, and will have had extensive experience in the treasury department of a major UK group. In-depth practical knowledge of London and overseas financial markets is required, including the negotiation of securities and banking agreements, and of techniques for assessing and managing interest and exchange risks. Extensive experience of advanced treasury accounting and reporting systems, and of PC-based analytical techniques is also sought. The successful applicant will have a keen analytical mind, be able to work without detailed guidance, and be an excellent communicator and negotiator.

Salary will be supplemented by an excellent benefits package, including a car and contributory group pension scheme.

If you wish to apply for the position please write - in confidence - enclosing a CV to Douglas Austin, ref B.7130, MSL International (UK) Ltd., 32 Aybrook Street, London W1M 3JL.

MSL International

ALPS
ACCOUNTANCY & LEGAL PROFESSIONS SELECTION LTD
3 London Wall Buildings, London Wall, London EC2M 5PJ
Tel: 01-588 3576 Telex No. 887374

An excellent opportunity to join the head office of a major international Group with exposure to treasury management.

GROUP MANAGEMENT ACCOUNTANT

ALPS

LUXEMBOURG **£30,000 – £36,000**

MAJOR INTERNATIONAL GROUP WITH VERY SUBSTANTIAL LIQUID FUNDS

This vacancy calls for Accountants (ACA, CA, ACCA, or ACMA) aged 26-32, who have a good practical knowledge of computerised accounting systems. Reporting will be to the Controller. Responsibilities will cover, utilising the services of a small team, annual budgeting, the production of quarterly management accounting information of operating units and associated companies. The successful candidate initially will take a lead role in the implementation of a new computerised treasury management system and subsequent up-date and also prepare a full range of regular management reports for the Group. Initial salary negotiable, £30,000-£36,000 + non-contributory pension, state pension and social security, family BUPA, full removal expenses and generous relocation and settling in allowance. Applications in strict confidence under reference GMA189/FT, to the Managing Director:

ACCOUNTANCY & LEGAL PROFESSIONS SELECTION LIMITED, 3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PJ.
TELEPHONE 01-588 3588 or 01-588 3576. TELEX: 887374. FAX: 01-256 8501.

SOUTH BANK POLYTECHNIC
Department of Business and Finance

PART-TIME LECTURER IN INVESTMENT ANALYSIS

£18.29 p.h.

To teach Investment Analysis to the final year of the part time Business Studies degree on one evening per week.

Successful applicants should ideally have a first degree and some practical experience in the City.

Please send CV to John Boyle, Head of Division of Finance, South Bank Polytechnic, London Road, SE1 1AA, to arrive before 24th August 1989.

An Equal Opportunities Employer

Finance and Administration Manager

Hertfordshire

This new appointment, with an expanding company in the FMCG field, is designed to become the Controller of the Company after a satisfactory initial period. The organisation has strong links with the Continent, where the company is owned.

Reporting to the Managing Director, the appointee will be responsible for all accounting activities, financing, statistics and reports on all aspects of the business. It will be necessary to monitor all trends and to advise the Managing Director on the company's financial performance.

Candidates, ideally up to age thirty, qualified or well experienced, need to demonstrate their ability to co-ordinate the accounting function.

With an initial basic salary of around £17,500, there are up to twenty five days holiday, a contributory pension scheme, other benefits and an exciting future.

Please apply to Peter Barnett, at the Barnett Consulting Group Limited, Providence House, River Street, Windsor, Berkshire, Tel: (0753) 856723, quoting reference no: S936.

BARNETT - CONSULTING GROUP LIMITED -

Director of Finance

EAST MIDLANDS, £30,000 + BONUS + EXECUTIVE CAR

As one of the world leaders in the design and assembly of inspection and measurement equipment, this profitable $18m turnover business is in the forefront of technological development in its field and enjoys a first class reputation. The company is part of a large US based corporation which allows considerable autonomy to its subsidiaries.

In order to control the future growth and developments planned for the business there is a need to upgrade the finance function and as part of this strategy a complete review of the financial control systems of the business is necessary to complement a similar review taking place of its manufacturing controls. As the senior financial executive on site you will be expected to take a full part in the decision making process of the senior management team, advising colleagues of the financial implications of their existing and future plans as necessary.

You will be a qualified accountant of around 30 years of age who has had experience of a manufacturing environment and who is keen to develop his/her commercial skills in a friendly and progressive company. A thorough working knowledge of computerised information systems is essential and as part of the plan to raise the profile of the finance function you should have a positive approach and possess good communication skills.

Résumés please, together with an indication of present salary and a daytime telephone number, to John Elliott, Coopers & Lybrand Executive Resourcing Limited, 22A The Ropewalk, Nottingham NG1 5DT quoting reference JE165.

Executive Resourcing
Coopers & Lybrand

COMPANY ACCOUNTANT

SOUTH BUCKS

ATTRACTIVE SALARY + CAR + BENEFITS

Donnay U.K. Ltd the UK distributor for one of the World's leading sporting goods manufacturers seek a company accountant to be responsible for their complete finance function.

Reporting to the Managing Director the position encompasses control of statutory and management accounts, credit control and treasury functions as well as a full range of general administrative responsibilities.

The ideal candidate whilst not necessarily fully qualified, will have made some progression towards a recognised accounting qualification.

If you are a capable ambitious professional, perhaps looking for your first opportunity to prove your worth at this level and feel you are up to the challenges involved please send details of your career to date under confidential cover to:

**H.N.B. Heywood, Managing Director,
Donnay U.K. Ltd, Unit 2, Wessex Park Estate,
Wessex Road, Bourne End, Bucks. SL8 5DT**

APPOINTMENTS WANTED

ACCOUNTING CONSULTANTS AVAILABLE

Small group of accounting consultants, having just completed last project of over 3 years for very large, quasi-government business are now ready for additional short or long term accounting/administrative assignments. Top class personnel with many years experience in accounting, office organisation, administration, management, and systems implementation. Artemis system specialist also available.

For an initial discussion of your requirements please contact:

Mr. T. Calmeyer, Graceland Accounting Services, 117 Brangbourne Road, Bromley. BR1 4LP. Tel: (01) 698-4200

Group Financial Controller

Major International Plc

c.£50,000 base — West of London

Recently restructured, this leading international business seeks a well qualified, talented finance professional for this newly created position. A very responsible position and an excellent career move.

THE COMPANY

◇ £600m turnover industrial group, 11,000 employees in operations around the world.

◇ Impressive Executive Board, new HQ West of London, embryonic corporate management team.

◇ Significant growth planned, multi-million pound contracts and projects, strong financial base.

THE POSITION

◇ No. 2 in finance department working closely with Group F.D. to initiate and implement Group accounting practices and procedures.

◇ Key task to help build a professional finance team to support expanding activities.

◇ Diverse responsibilities from consolidated management information to treasury and tax planning.

QUALIFICATIONS

◇ Chartered accountant, age c.35, who has worked in the corporate office of a substantial international plc.

◇ Sound controllership experience, with an interest in the broader finance function and the ability to adapt.

◇ Self starter, confident and energetic with demonstrable interpersonal skills.

THE REWARDS

◇ Excellent competitive base salary and benefits package.

Please reply in writing, enclosing full cv,
Reference H3186,
54 Jermyn St, London SW1Y 6LX.

N·B SELECTION LTD

LONDON · 01-493 3383
BIRMINGHAM · 021-233 4656
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APPOINTMENTS ADVERTISING

For further information call 01-873 3000

Candida Raymond ext 3351

Deirdre McCarthy ext 4177

Paul Maraviglia ext 4676

Elizabeth Rowan ext 3456

Patrick Williams ext 3694

GROUP MANAGEMENT ACCOUNTANT

Top 20 UK Retail Group

London — c.£37,500+car+benefits

Our client, one of the leading UK retailers with £1bn plus sales throughout its nationwide outlets, is seeking a Group Management Accountant who will report directly to the Group Finance Director.

The candidate appointed, who will be at the "cutting edge" of change, will have, as a priority, the radical enhancement of financial information systems through which a broad range of management information will be provided. A significant element of the role will comprise business analysis and planning and budgeting responsibilities as well as project assessment.

We are seeking a candidate who is clearly energetic and has demonstrably strong analytical skills. He/she will be a qualified accountant, personable and have the initiative and hands on approach to "go out and create change". Good communication skills are a prerequisite. Previous retail exposure would be ideal, but FMCG or service industry experience would be an asset.

If you are interested in this role, please write in confidence to James Forte, enclosing full career details, present remuneration and daytime contact number, quoting reference A7000.

KPMG Peat Marwick McLintock

Executive Selection and Search
70 Fleet Street, London EC4Y 1EU

COMMERCIAL FINANCIAL CONTROLLER

(Director Designate)

No. 1 role in a small, rapidly growing leisure company

Snowdonia National Park — **To £28,000 + Car + Relocation**

Set in spectacular mountainous surroundings on the edge of Snowdonia National Park, our client is a highly successful £3 million turnover business whose core activity is the import and wholesale of leisure wear and equipment. Owned and managed by a small, highly motivated and marketing-led board of directors, the company has achieved outstanding growth and profits and is now a market leader in this field.

This rapid expansion combined with ambitious plans for the future demand the appointment of a Commercial Manager. This individual would become closely involved in the day to day management of the business assuming responsibilities ranging from financial control to marketing and business development.

Supervising two assistants, financial control will be hands-on and will include all aspects of financial/management reporting and business forecasting. Development of a new micro-based system will be an initial priority.

Strong emphasis must be placed upon the commercial aspects of this role and hence your ambition must extend to a future in wide ranging commercial management.

From a small/medium company background, you must have extensive exposure to the development of micro based systems. Whilst a professional qualification is desirable, more important will be your drive and track record of achievement to date. Aged over 28 and unlikely to be over 40, you will be commercially minded, positive and enthusiastic whilst possessing excellent communication skills and a sense of humour.

A generous basic salary and benefits package will be offered along with a full relocation package. The location affords a high quality of life coupled with the additional benefit of low property prices. **It is envisaged that a full directorship and a profit related bonus will be made available contingent upon your contribution and performance.**

Candidates should send a full curriculum vitae to **Alison Hill** at the address below or telephone her on 061 236 1212.

STARK BROOKS ASSOCIATES

Accountancy Recruitment Consultants

SUITE 4, 2nd FLOOR, ST. JAMES'S BUILDINGS,
OXFORD STREET, MANCHESTER M1 6FQ
TEL: 061-236 1212/061-228 0183 FAX: 061-228 0187

Financial Controller

Berks/Central London - £33k incl. benefits

This successsful fund manager with additional interests in dealing and foreign exchange has experienced significant growth in the last 36 months, whilst building up a solid, blue-chip client base.

Maintaining firm controls so that growth potential is seen as being important. Reporting to the MD, the Financial Controller will be responsible for the total accounting function, preparing reports and accounts as appropriate both for internal use and outside bodies. Additionally, company secretary duties will fall within the brief.

The successful candidate will need to have wide accounting experience preferably within a similar financial institution and, ideally, have some exposure to forex fund management. Such experience coupled with good man-management skills and vision are more important than qualifications and likely age range is 25-40.

The rewards include a very attractive salary and benefits package and the very real opportunity of progression to Financial Director within the medium term.

To apply, please send a detailed CV together with a handwritten covering letter in confidence to

Johnathan Poole, Moores Rowland Management Consultants, Cliffords Inn, Fetter Lane, London EC4A 1AS

Moores Rowland
Management Consultants

Financial Controller

N. London — c£35,000+Bonus+Car

A £350 million turnover Division of a substantial public Group seeks a Financial Controller to manage a small Divisional Head Office team with operational responsibility for consolidated financial reporting, analysis and control.

This Division, which trades through several locations throughout the U.K., is experiencing an exciting period of re-organisation and rapid growth thus requiring ever greater attention to be focussed on the application of relevant policies and procedures, critical financial analysis and tight control. Reporting to the Divisional Finance Director, a critical aspect of your role will be communication, acting as the link between the Divisional Management and the operational Finance Directors.

This is an excellent opportunity for an ambitious and assertive qualified accountant, probably aged 30-35, to gain Divisional Controllership experience in a role with genuine promotion potential. Applicants must have a commercial background preferably in a large trading group. Ideally you will have been an operating company controller and have had some head office experience. *Good communication and* man-management skills are essential.

Interested applicants should write enclosing a comprehensive CV with daytime telephone number, quoting Ref: 357 to Barry Ollier, BA, ACA, Whitehead Rice Ltd., 43 Welbeck Street, London W1M 7PG. Tel: 01-637 8736.

Whitehead Rice

MANAGEMENT SELECTION

CORPORATE FINANCE

£Negotiable

Our client is a medium-sized City merchant bank, which since Big-Bang has retained its independence and now has a market capitalisation approaching £100M. They now seek to recruit an additional Executive/Manager to join the small and highly motivated Corporate *Finance team. This division* undertakes a wide range of work, particularly for the owner-managed company, and gives consultancy advice on a broad range of strategic issues, including acquisitions, divestments and fund-raising. Interested candidates will be graduates, probably with a professional qualification, aged 22-30. **Location: City. Call Howard Foster (evenings 0727 55639).**

MANAGEMENT CONSULTANCY

to £45,000 + Car

Having enjoyed outstanding and consistent growth over the last decade, this International Management Consultancy has a continual requirement for ambitious graduate accountants, aged 25-38, with a pragmatic approach to problem solving. You should have a background in sophisticated financial management techniques and some familiarity with accounting systems selection and implementation. Overall your experience should demonstrate considerable achievement within a well-managed company. **Location: City. Call Fiona Bailey (evening 01-892 1381).**

LITIGATION SUPPORT MANAGER

c£30,000

CHANTREY VELLACOTT are a well respected "Top 30" firm of Chartered Accountants. Due to the rapid expansion of the Practice they have identified the need for a Manager to head up their litigation support department. The role encompasses the provision of expert witness advice on areas such as product liability and corporate investigation. The ideal candidate will be a graduate ACA (28-33) with an insight into Litigation Support who wishes to progress within a professional environment. **Location: C. London. Call Diane Waterman (evenings on 01-388 1847).**

PA TO GROUP FD/ CHAIRMAN

£25–30,000 + Benefits

Our client is one of the world leaders in the *field of international merchant banking. They are* currently recruiting a top calibre ACA to be PA to their Group Financial Director/Chairman. Responsibilities include close liaison with the Corporate Finance Department, analysis of competitors' results, budget coordination for the Board of Directors, and providing full briefings on relevant economic and political issues. A *unique* opportunity, with exposure to international banking at the most senior level. **Location: City. Call John Bowman (evenings 0474-874473).**

For further information on these appointments call John Bowman or Paul Goodman on 01-387 5400, evenings on 0474 874473/01-445 0666 or write to us at:

financial SELECTION SERVICES

DRAYTON HOUSE, GORDON STREET, BLOOMSBURY, LONDON WC1H 0AN

FINANCIAL & MANAGEMENT RECRUITMENT CONSULTANTS

Deputy to the Controller

Recently Qualified ACA/ACCA — **to £27,500 + car**
Central London

Our client is a sizeable and profitable international public group with major interests in the energy transportation sector which seeks to recruit a young deputy to the Controller.

Responsibilities include the preparation of financial results, special project work, development of computer modelling techniques (training will be given) and deputising for the Controller.

Candidates (male and female) ideally should have 'A' levels or a good degree and exam record and have qualified recently.

Written applications, including up to date CV should be submitted in confidence to **George Ormrod BA (Oxon), Douglas Llambias Associates Limited, 410 Strand, London WC2R 0NS quoting reference No. 3345.**

DOUGLAS LLAMBIAS

BIRMINGHAM	DUBLIN	EDINBURGH	GLASGOW	LONDON	MANCHESTER
021-233 4421	608620	031-225 7744	041-226 3101	01-836 9501	061-236 1553

International Banking

SENIOR MANAGER AUDIT

c£30-35,000 (Negotiable)
+ Executive Benefits

Our client is a major international banking group maintaining a global presence with offices in London, Australasia, Asia and the United States. The London office provides a full range of corporate banking services and treasury products to a European clientele.

A vacancy has arisen for a Senior Audit Manager who, reporting to the Group Internal Auditor at the bank's headquarters, will be responsible for providing a full systems based audit coverage of the bank's London operations.

The successful applicant will be a qualified accountant or internal auditor (MIIA) with a good working knowledge of banking principles, an innovative approach to modern auditing techniques and an appreciation of computer systems. Previous audit experience, preferably gained in an international bank, is essential.

This is a senior management appointment within the bank which will be reflected in a highly negotiable starting salary and a full range of executive benefits.

If you would like to discuss this opportunity in more detail please contact **Darrell Smith** on **01-387 5400** (day) or **0727 42296** (evenings or weekends) or send a copy of your curriculum vitae to Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN. Naturally, all calls will be treated in the strictest confidence.

financial SELECTION SERVICES

EXECUTIVE SELECTION DIVISION

Finance Director

Manchester **c£30,000 + Car + Bonus**

Our clients are a market orientated manufacturing subsidiary of a major UK Plc. Operating on an autonomous basis, they are engaged in the manufacture of consumer packaging for major retailing organisations, with a turnover in excess of £20 million.

Internal promotion has created the need for a Finance Director to assume responsibility for all financial control and management systems, with particular emphasis on the establishment of effective inventory control systems and the development of pricing policy. As a key member of the executive team, you will be required to work closely with the Managing Director in the areas of business development and strategic planning.

Candidates, aged 30+, should be qualified accountants who can demonstrate a track record of success in a manufacturing environment. A high degree of commercial awareness, together with strong management ability and well developed communicative skills, are prerequisites.

Interested applicants should forward their CV to Iain Blair ACMA, quoting reference 4463, at Michael Page Finance, Executive Division, Clarendon House, 81 Mosley Street, Manchester M2 3LQ.

MP

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Group Finance Executive

Manchester **c£32,500 + Car + Benefits**

Our client, a well known international group with a diverse product base, operates in over 20 countries and markets its products in over 60 countries world wide. Turnover is in excess of £500m and recent profit growth is the basis for continued expansion, both organically and through acquisition.

Internal promotion to a senior line role has created the need for a Group Finance Executive to take responsibility, for analysis of existing businesses, monitoring of competitors' activities and market trends, and appraisal and integration of acquisitions. Reporting to the Group Financial Controller, the successful applicant will be expected to contribute to the group's future success by identifying and analysing key areas of control and new market opportunities.

Candidates, aged 27-35 are likely to be graduates and will be qualified accountants who can demonstrate sound industrial experience, preferably gained in a large organisation, coupled with an understanding of overall group concepts. This is a high-profile role involving significant contact with senior management and accordingly well developed interpersonal skills and intuitive commercial acumen are essential prerequisities. The nature of the proposed development will provide excellent future prospects supported by the group's progressive management development policy.

Comprehensive relocation facilities are available where appropriate. Interested applicants should contact Iain Blair ACMA, quoting ref. 4461 on 061-228 0396 or write to him at Michael Page Finance, Clarendon House, 81 Mosley Street, Manchester M2 3LQ.

MP

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Financial Controller
(Prospective Directorship)

West Yorkshire **£32,500 + car**

Our client, a small but rapidly growing insurance plc, long established in writing fire and specialist all risks business and, in recent years, commercial and travel business, is seeking to recruit a Financial Controller.

Reporting to the General Manager, the position will take responsibility for the financial, computing, administrative and secretarial matters of the Company together with the development of financial and insurance systems and records.

The successful applicant, aged 35-50, will be a qualified accountant who has at least five years management experience ideally in the insurance industry with a direct business emphasis. Practical experience of computerisation is also essential.

Interested candidates should write in complete confidence with a detailed curriculum vitae with salary details, and quoting reference 2032 to:

Peter Childs
Pannell Kerr Forster Associates
New Garden House
78 Hatton Garden
London EC1N 8JA

Pannell Kerr Forster Associates
MANAGEMENT CONSULTANTS

Finance Director

Dorset **to £40,000+Bonus+Car**

Our client, part of a fast expanding and profitable group, is a small company with exceptional growth prospects, which designs and assembles high technology equipment for the leisure industry. The company's products have rapidly achieved worldwide sales, and revenues of £10 million *plus are predicted next year.*

The Finance Director's role involves a major commercial element, participating in contractual negotiations with third parties in the UK and overseas, and contributing to the general strategy and direction of the company. You will also be required to ensure that this growth is both co-ordinated and profitable.

Candidates, aged 28-40, should be qualified accountants with several years experience in a senior financial position in a manufacturing environment. Experience of international trade would be an advantage, and the ability to manage rapid change together with good communication and presentation skills are essential attributes.

Interested applicants should write enclosing a comprehensive CV with daytime telephone number, quoting Ref: 355 to Barry Ollier, BA, ACA, Whitehead Rice Ltd., 43 Welbeck Street, London W1M 7PG. Tel: 01-637 8736.

Whitehead Rice

MANAGEMENT SELECTION

MOORE — MOORE BUSINESS FORMS LIMITED

COMPUTER AUDITOR INTERNATIONAL OPERATIONS

The Company: Moore Corporation - for over 100 years the acknowledge leader in business forms and systems worldwide.

The Position: *To participate in systems development projects and* in reviews of data centres and applications throughout the European International Division. Based in either London, Paris or the Hague, depending on the successful candidate's present country of residence. Up to 20% travel.

The Qualifications: 1-3 years full time computer auditing experience, with a related degree and/or professional qualification: knowledge of financial and EDP controls preferably in on-line systems and/or in manufacturing: initiative, self-confidence and the ability to work with limited direct supervision: fluency in French is essential.

The Rewards: Challenge, opportunity for growth and high visibility complemented by a competitive benefits package and a salary which will be commensurate with qualifications and experience.

Written applications in English should be addressed to:

P. Barton-Hanson
Computer Audit Manager
MOORE INTERNATIONAL DIVISION
81 Southwark Street
London SE1 0HX

Please enclose a comprehensive C.V. with salary history and contact telephone number.

CONSOLIDATED DISTRIBUTION LTD.
are seeking a
MANAGEMENT ACCOUNTANT
due to continued expansion.

Consolidated Distribution is part of the Consolidated Group of Companies, an international television, film, production and distribution group, with offices in London, Washington and Los Angeles, and we are now one of the major European independents.

Based in our London office, you will work closely with the Financial Accountant and report directly to the Group President.

This position will be very much a proactive role requiring excellent business communication skills and lots of initiative, together with the freedom to travel.

A minimum of 4 years experience is envisaged particularly in the areas of budget and cashflow monitoring, date collation, analysis and presentation and cost control. A knowledge of US GAAP is preferable, but not essential.

In return we can offer you excellent career prospects and a salary circa £30,000 - £35,000.

Interviews will be held the week commencing Monday, 14th August (day and evenings).

Interested applicants should please apply in writing enclosing a full CV to:

Mr. Jenny Lancaster
Consolidated Distribution Ltd.
5 Jubilee Place
London SW3 3TD

GROUP ACCOUNTING MANAGER

South of France C.£ 20.000 + Stock Options

This is a unique opportunity to acquire international experience. *A small european manufactoring* with its consolidation department based in the south of France is looking for a Group Accounting Manager.

Responsibilities will include the consolidation of the results of its european subsidiaries and the preparation of monthly management accounts.

Suitable applicants will be experienced accountants in their mid to late twenties with hands-on experience of computerized management accounting systems and a basic knowledge of French.

Please write enclosing a career/salary history and daytime telephone number to address s/ref M : ORC Mediterranée Grand Pavois 314-330, avenue du Prado 13008 MARSEILLE - FRANCE

Newbridge Networks Limited

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Car advertising

A marque tracing its cultural roots

Toyota has moved upmarket. **Philip Rawstorne** reports on the emphasis of its latest campaign

Toyota, the third largest car manufacturer in the world, has decided it is time to make a virtue of being Japanese. The company's reputation in the UK and Europe over the past 25 years has been built first on cheapness and then on reliability. But quota restrictions have hampered its sales ambitions.

Last year it sold 368,000 cars in Europe – around 3.3 per cent of the market by volume, ranging from 17.5 per cent in the Irish Republic to 0.8 per cent in France.

In the UK, Toyota had under 2 per cent of the market, and spent a relatively modest £6m on advertising, according to the monitoring service, MEAL.

Toyota, however, is due to start production at Burnaston, in Derbyshire, in 1992, and by 1995, expects to have 200,000 cars a year coming off the assembly lines. With the removal of the European Community's internal trade barriers, the company should then be well placed to tackle the European mass car market with its medium-sized saloon, the Carina.

But its strategy does not rest merely on pushing for the biggest market share it can get by using a combination of low prices and standard extras.

Toyota is sensitive to European criticism of Japan's trade policies and, even when it begins manufacturing inside the EC, seems likely to consider a measure of self-restraint in the size of the market share it pursues. It aims, therefore, to seek increased profits by competing at the top end of the market, attacking first the executive, and then the luxury sector with the Lexus – to be launched in the UK next spring.

The UK advertising campaign, devised by Collett Dickenson Pearce (CDP) and now being run in colour magazines and on posters, is intended to begin the process of raising the image of the Toyota marque, and establishing a clearer upmarket identity for the company in Europe.

Spending some £10m on UK advertising this year, Toyota is seeking to enhance its reputation for price and reliability with a greater sense of quality and style – to give the marque the sort of cachet enjoyed by BMW or Mercedes. To do this, CDP is focusing on the Japanese origins of the cars.

Previous advertising, influenced by political and consumer attitudes in Toyota's export markets, had presented the company as a fairly anonymous multinational.

But Toyota and CDP have agreed that the era in which Japanese manufacturers were regarded internationally as imitators rather than innovators is over. They believe that perceptions of Japan as an economic and industrial power with technological ability the equal of any in Europe have now reached a point where there are great advantages to be gained from repositioning the company.

Toyota, the most profitable company in Japan – $2.3bn last year – now wants to be seen as the country's industrial flagship abroad.

Just as West German manufacturers heightened the appeal of their cars by stressing the nation's reputation for engineering skills, so Toyota aims to highlight the distinctive qualities that its cultural roots bring to its products. Richard Rivers, CDP's deputy managing director, says: "Our problem was to find a way of talking to consumers about Japanese qualities without resorting to clichés of sumo wrestlers and Mount Fuji."

CDP found the basic lines of the campaign in a survey of the attitudes and objectives of Japanese businessmen. "If you ask Western businessmen about their prime objectives, you get answers such as return on investment, increased earnings per share, or a bigger market share," says Rivers.

"The Japanese show more concern with improving product quality and reducing price. Serving the customer is the first priority – and financial success the end result of it.

"Whereas the attitude of some Western car manufacturers appears to be to give the minimum for the highest price, the Japanese aim to give as much as they can for the lowest price. Safety features are not regarded as optional; the same quality of stereo goes into every car in the range."

CDP has sought to incorporate these attitudes of the Japanese to products and customers into its advertisements, and to do so with a sense of the nation's characteristic formality and courtesy.

One advertisement features the Toyota Supra Turbo in a Zen garden (constructed for the purpose on a Norfolk airfield). It is headed: "Why we'll never make a perfect car" – and provides the answer in what purports to be a Japanese proverb: "If perfection could be achieved, it would not be worth having."

The advertisement stresses the care and workmanship that went into producing the car – even to the sound made by the closing of its doors. "Each Toyota factory has a panel of experts who do nothing but tune doors till they make a perfect clunk."

Some pointed comparisons are made with rival marques. "BMW once ran an ad saying that one of their cars carried 134lbs of sound proofing to ensure a quiet ride. At Toyota, instead of making a noisy car quiet, we'd rather make a quiet car. So, in an effort to achieve the sound of one hand clapping, we refine, shape and fine-tune engines until they whisper."

Another advertisement, for the Carina, asks: "What is a few cracks in the M25 to a car built for an earthquake zone?" It compares the car's construction with that of Tokyo buildings designed to withstand 7,800 earth tremors a year. "Great strength is forged through adversity," it concludes.

Such themes are being extended in a national poster campaign in which the bold, red brush strokes of Japanese characters again proclaim the cars' national identity. Toyota's international competitors may pause for thought over some of the characters. "Even small grains of Japanese pepper are hot," is the translation.

Waxing lyrical about retailing

When Walt Disney *built his Disneyland* theme park in California almost 35 years ago he developed a small but vital marketing technique which has stood the test of time. This, simply, was to funnel all *incoming visitors into one* admission area which opened up into an area called Main Street. This exposed them to the varied retail outlets selling souvenirs which form an integral part of Disney revenues.

The pioneering Walt Disney was well ahead of his time, however, as the English Tourist Board has just acknowledged in the latest edition of its tourism marketing intelligence report, *Insights*.

It cites the example of the Tussauds Group, which owns not only the Madame Tussauds waxworks in London's Baker Street but also the Chessington World of Adventures theme park in Surrey.

According to ETB, Tussauds has in common with most British leisure operators paid scant attention in the past to the *potential of retailing* at its leisure attractions. But the ETB reports that recently Tussauds enlisted the aid of specialist designers and other consultants to help develop its retail activities.

"The siting of retail outlets fundamentally influences sales, and here Tussauds takes its cue from Disney," says the ETB report. "Disney has a Main Street where the major shops are located near the *entrance. Visitors go up the* Main Street on their way in and walk down again on the way out, thus doubling exposure to sales."

Tussaud's World of Adventures has taken this a stage *further with "themed" shops in* each of its five different adventure worlds as well as a large shop sited close to the main entrance/exit called "The Emporium".

"This arrangement works well as people make up their mind during the course of the day and are given the final opportunity to decide and then purchase just before they get into their cars."

The report points out that "it is unusual for anyone to retrace their steps just to buy a small gift from a shop, hence the advantage of the shop at the exit."

Tussauds aims to add 20 per cent to current entrance fee revenues through its retailing activities. This would mean that the average spend on souvenirs would rise from the *present 50p* per head *to £1.75 a* head and would be achieved through better retailing and merchandising techniques.

The new retailing approach is well segmented, ranging upwards from pens and small *gifts at under 50p. The marketing* plan also includes developing products unique to particular attractions on which visitors will spend more; hence the £30 price for a teddy bear at Chessington based on characters at the park.

David Churchill

Why advertising could become a legal requirement

Business demands for legal services will increase substantially during the 1990s – and so will the competition to provide them.

In this changing environment, a report* published today by Primary Contact, the UK business-to-business advertising subsidiary of the international agency, Ogilvy & Mather, suggests that the successful legal firms will be those which make the most effective use of the recently-acquired freedom to advertise and market their services.

Alan Wolfe, Primary Contact's marketing services director and author of the report, says: "Lawyers will have to make a huge cultural change. The law will have to be seen as a business rather than a profession; as a service to be sold."

Some British lawyers still regarded such a prospect with distaste; others were embracing the idea cautiously and conservatively; and a handful had appointed marketing specialists. Yet *none*, says *Wolfe*, had so far implemented a full-blown marketing strategy. The first to do so would gain significant competitive advantages, he predicts.

The European single market would bring a tougher climate but new opportunities for British companies – to extend sales territories and product ranges, or to diversify into new fields. Their need for legal advice, negotiations, and perhaps litigation, would increase. "However, competition to do this extra business will also increase," Wolfe says.

Competition is increasing both from inside and outside the legal community.

Larger accountancy firms were already offering legal advice in such fields as taxation, corporate finance, and takeovers; and were organising to meet the needs of multinational clients. Many of the users of professional services *had become highly price-con*scious, regularly demanding "beauty contest" presentations by potential advisers.

The distinction between the roles of barristers and solicitors was being blurred; lawyers would have the right to compete more directly, and, with the mutual recognition of qualifications, to practice throughout the European Community.

Reliance on personal contacts, brochures and seminars for building image and awareness would have to be replaced by planned, integrated marketing campaigns – personal mailings, public relations, and advertising.

Surveys had shown, Wolfe says, that potential clients believed all of the City of London's legal firms to be honest, professional, reliable and efficient; but frequently were unable to distinguish between them, or name any but the one they had most recently used.

Wolfe points to the United States for evidence to back his arguments that advertising can overcome such problems. Despite hostility to the idea in many local Bar Associations, he says, one in four of the 713,000 practising lawyers was now using advertising in some form or another. They spent almost $60m on television alone in 1987.

Jacoby & Meyers of Los Angeles claimed its advertising on radio and television brought in 175,000 clients a year, and the firm had grown from one office to 150.

Successful advertisers aimed to demystify the law and position themselves as approachable professionals on the side of the general public. Norton Frickey, a Denver lawyer, even appeared in TV advertisements wearing boxing gloves to put across his slogan: "We're in your corner."

The legal profession in the US may have lost *some* of its dignity, Wolfe admits, but "at least some lawyers have improved the lot of the general public and made a great deal of money for themselves in the process."

Even if they did not regard that as a fair trade, British legal firms which had identified opportunities, and set the goals they wished to achieve, should not be afraid of putting themselves in the hands of advertising professionals to advise them how to do so, he says.

"There seems to be a widespread suspicion that advertising people are all 'men in purple shirts, committed to the production of glitzy, hard-sell material, wildly inappropriate to the law and its clients.'

"The truth is that a professional advertising agency is no more willing to advise expenditure on a campaign unlikely to achieve its objectives, than a professional solicitor would advise a client to go to court without a good chance of winning the case."

Does the legal profession need marketing or advertising? Primary Contact, 38 St John Street, London EC1.

Philip Rawstorne

ARTS

CINEMA

Old Nick versus the flying mouse

BATMAN
Tim Burton

CRUSOE
Caleb Deschanel

THE DECLINE OF WESTERN CIVILISATION PART II: THE METAL YEARS
Penelope Spheeris

Britons, your summer is about to change. Hitherto a "bat" has been an instrument of national humiliation wielded by flannelled sportspersons. Henceforth the word signifies something more dynamic and appealing: a man hurtling around New York dressed as a flying bat.

Batman is here, born upon clouds of hype and money. First among equals in Hollywood's current comic-book sweepstake, the $60m film has netted over $200m in America and has more "must see" charisma attached to it than any film since *ET*. Even in Britain, only someone who had destroyed his TV, shot his newsagent and retired to a cave in the Mendips early in 1988 could have avoided hearing about the film.

Mostly, and amazingly, *Batman* does not die beneath the weight of promotion; it liveth. (The "buts" comes later.) Its passionate and in all senses "batty" extravagance fills the screen. As designed by Anton Furst, Gotham City (Batmanspeak for New York) is an architectural brainstorm out of *Metropolis* by *Blade Runner*. In a three-way style collision between Gothic, Art Deco and Hi-Tech, skyscrapers soar through canyons of overgrown plumbing. Huge girders barnacled with rivets arch over streets opaque with rain or steam; neo-Egyptian gargoyles peer down from mile-high penthouses; and factories built like giant boilers squat vast, bulbous, shiny and pulsating.

Faced with such sets (built at our own Pinewood Studios and still standing, ready for *Batman 2*) most human movie stars would give a shriek of surrender and disappear into the jaws of chaos. Jack Nicholson's Joker – and to a subtler degree Michael Keaton's Batman – have other plans.

The elastic Nicholson showcases his talent for turning his face and voice inside out. First you take in the dapper exterior, next you are shown the leery Satanic lining. As the movie's top villain, he sneers, purrs, chortles, snarls, hisses, cajoles. He gives his nightly rallying cries a loony glee ("We've got a flying mouse to kill!") and he turns penny-plain exchanges into gem-like repartee. "You look fine" coos girlfriend Jerry Hall, as he kits himself out for a night's villainy: at which Old Nick turns from the mirror with a look of incredulous, slow-burn disdain – "I didn't a-s-k."

When an actor has an audience eating out of his hand like this, he makes the plainest crumbs seem a feast. Nicholson – who always likes a handicap to prove his virtuosity (remember the bandaged nose in *Chinatown*?) – even has to act through a faceful of plastic surgery. The Joker's "grin" is the result of primitive face-work carried out after a dip in a vat of boiling acid. Who caused the dip? Why, the flying mouse: hence the ensuing revenge plot.

Meanwhile the mouse himself doffs his nocturnal bat-suit (complete with rippling fake musculature) to become millionaire Bruce Wayne, a.k.a. actor Michael Keaton. Keaton gives the whole movie breathing-time by underplaying. A pocketsize playboy, he is dwarfed by his own Xanadu mansion. (*Citizen Kane*'s Gothic giantism seems an inspiration here as elsewhere.) And his low-key, mildly skittering style invites the audience to bend towards the film, senses pricked, rather than (as with Nicholson) to sit back and be bombarded.

However – and the "but" starts here – there is a down side. The plot is a lot of pulpy nonsense about big-city crime syndicates, sleuthing newshounds and corrupt officials. (New York's real-life Mayor Koch could surely sue his spitting-image impersonator here, Lee Wallace). And the female interest, though lushly embodied in Kim Basinger as "photojournalist Vicki Vale," is little more than a human frisbee whizzed to and fro between rival suitors Joker and Batman.

Worst of all, audience exhaustion begins to set in just when the grand finale starts: a 200th birthday party for the city held in Gotham's streets. This is hosted by the Joker and rejoices in an unscheduled duel between the capering villain on his carnival float and a skyborne Batman blazing away from his Bat-plane. But by this point you have eaten so much action-rich, colour-enhanced, Dolby-stereo'd Bat-cake that the thought of another piece – even a piece de resistance – has you reaching for the brown paper bag.

The problem – and it has been Hollywood's throughout the summer – is that we're seeing technical and imaginative brilliance married to stories whose mental age is approximately three. The visual brainwaves of director Tim Burton (of *Beetlejuice*) are often wonderful: a shot of Batman silhouetted against the moon like a human logo; a midnight drive in the Batmobile through beech woods eerie and phosphoric with menace; an opening title sequence with the camera gliding round dark and grizzled crags whose meaning is slowly, teasingly revealed. But what price such virtuosity if all we find at the bottom of the Pandora's Box is a dog-eared collection of old comic books?

The glimpses *Batman* the movie gives us of a surreal heightening (Nicholson) or a sombre humanising (Keaton) of *Batman* the comic-strip are enough to tantalise, never enough to satisfy. We leave thrilled, entertained, excited – but glutted only on nothingness: our stomachs filled not with substance but with emptiness disguised in its likeness. *Batman* is the masterpiece of an movie age in which the gift-wrapping is all the gift you get. Don't unwrap it too hurriedly, or there will be tears before bedtime.

★

Crusoe takes another Western folk hero and runs him up the Hollywood flagpole. Daniel Defoe's 17th century castaway is here translated into a shipwrecked American slave-trader of the same name. He is washed up, circa 1810, on a desert shore somewhere in the famous Travel Brochure Isles. (White beach, blue sea, swaying coconut palms, only-man-is-vile.)

Washed up, alas, in all senses. Aidan Quinn's Crusoe grows a beard, talks to his dog, eats lizards, befriends a passing cannibal (Ade Sapara) and generally displays an inability to pass the time interestingly. Finally he is rescued by a ship, allowing him to deliver the film's pintsized anti-colonial pay-off: he frees "Friday" who has been seized and bound by the ship's greedy white anthropologists. Caleb (*The Black Stallion*) Deschanel directs: the pretty photography is by Tom Pinter.

★

Unlike Mr Crusoe, if you were cast away on a desert island today you would have the chance to take your ten favourite records. Would they include any by Megadeth, Odin, Aerosmith or Faster Pussycat?

All are "heavy metal" groups, whose members are celebrated and interviewed in *The Decline Of Western Civilisation Part II: The Metal Years*. This rockumentary by fringe film-maker Penelope Spheeris (of *Suburbia*, *Dudes* and *Decline Part I*, a study of punk) crackles along like a firework, spitting words of wisdom on music, sex, drugs, drink, ambition, fame, sex and drugs.

Telling us little we didn't know already or could not have guessed, the film scores zero for enlightenment but about 100 for entertainment. The epigrammatic range extends from Alice Cooper's definition of Heavy Metal as "just a fist in your face" to someone else's put-down of rock world machismo: "Doesn't matter what size your pencil is, it's how you write your name."

Image-wise, the preponderance of long black hair and pallid faces suggests some bizarre Richard III lookalike contest. And in the closing minutes the fate of rock heroes is cruelly reduced by Spheeris to a choice between Chris Holmes guzzling bottlefuls of Smirnoff in his luxury swimming pool and Ozzy Osbourn cooking eggs and bacon in a spotless kitchen while burbling about Satan. In the rock world the Devil may have all the best songs, but he looks more than a bit silly when superannuation beckons.

Nigel Andrews

Jack Nicholson as The Joker in "Batman"

A Flea In Her Ear

OLD VIC

John Mortimer's translation of Feydeau's great farce *La puce à l'oreille* was an unforgettable highlight of the National Theatre at the Old Vic in the late 1960s. The same text is now heard on the same stage in a quite different treatment that attempts, interestingly and not without result, to yank the play into a style world far removed from the belle époque.

An insurance broker, Chandebise, is rendered impotent by auto-suggestion in a theatre. Director Richard [illegible] on his immediately to create an Expressionist-[illegible] buzz, isolating the businessman in a limbo of black and white ruched drop curtains. The affronted wife, Raymonde, puts the failure down to infidelity and seeks to trap her spouse in flagrante delicto in the downtown brothel.

This second act hideaway, designed as a black and white Teutonic nightmare by the American team of the Brothers Quay, is supervised by Matthew Scurfield as an Erich von Stroheim of the underworld, bald, monocled and given to pelvic-stretching exercises over convenient banisters. This house of pleasure is also a place of correction and physical exertion.

Scurfield's staff includes his compliantly sinister wife (Rosalind Knight) and a mangy old Alsatian dog whose bark echoes through the inscribed flophouse walls and receding staircase like the cry of a hell hound. Chandebise's best friend, Tournel, is nearly compromised with his incipient lover, Raymonde.

As Timothy Walker plays the first, very well, as a soiled-suited close relation of Lord Alfred Douglas, and Linda Marlowe the second as a frigid continuation of her Joan Collins impersonation, the possibility of illicit coitus seems remoter than it should.

Here is the main weakness of the show as Feydeau, although it is great as Richard Hudson. The door-slamming chaos is choreography, not panic, the pursuit of sex nothing special or dangerous.

The play has opened with Julia Bardsley's lasciviously [illegible] Chandebise's virginal nephew up a stack of filing cabinets and handling him with more than aplomb. Why should they have to abscond to the Hôtel Minet-Galant? Because she is married to Roger Lloyd Pack's slow-brained butler, we tell ourselves, not believing it for a minute.

That said, I should come clean and say that I think the production is absolutely magnificent, boldly testing a classic genre-piece against an insistent mode of interpretation. That is what theatre is about, not the kowtowing to expectation or the forcing of comparisons with past productions.

But the natural reactions of Raymonde, her fluttering and dartings, are entirely steamrollered by Miss Marlowe. And the husband of Chandebise's supposed admirer, an impetuous Spaniard (Kevin Williams), ruined one of the show's best gags by introducing, perhaps inadvertently on Tuesday night, his own.

The jealous revenger dropped his teeth on the floor and you must hold it against the production that the recovery of a plastic mouth roof by the nephew seemed not very much more urgent. In this latter role, though, Phelim McDermott sets the mimetic standard for the evening.

Jim Broadbent's Chandebise, whose status is deliciously undermined by his quick-change splitting image likeness to the drunken brothel porter, Poche, releases a potato-faced, leering study in nightmarish schizophrenia completely at one with the production's aims. The objective cry, "I'm asleep in my own bed", carries the full belt of confused horror we take for granted in Feydeau, but rarely see, as here, breaking through the jocular surface.

Michael Coveney

Alastair Muir

Jim Broadbent

Coppelia

FESTIVAL HALL

What happier thing for the seasoned ballet-goer to hear than the opening chords of *Coppelia*'s overture and know the musical and (with English National Ballet) choreographic pleasures to come. What happier thing for an absolute newcomer than to encounter Delibes' golden score in the theatre for the first time, and to enter that magic world of peasants and automata and irresistible melody.

For old hands on Tuesday night the charms and pleasures were all there as ENB began its summer season with a week devoted to this adorable ballet. I hope that among the crowded house there was someone receiving a baptism by *Coppelia*: there is no better way of becoming addicted to dancing.

Ronald Hynd's staging is respectful of the old text we remember from Sadler's Wells Ballet days, and imaginative in making a village festivity of it. Hynd knows the best traditions of the work in this country, having early fallen under the spell of Pamela May's bewitching Swanilda (this was a role in which so many of our ballerinas shone, from Fonteyn, Nerina, Beriosova, Page, Lane, and Danilova as a marvellous guest) and he never betrays either its sincerities or its artificialities. The story is clearly told, the dances are shapely, and ENB's enthusiasm for the work never in doubt.

Leading this performance were Trinidad Sevillano and Martin James. There were no problems for Miss Sevillano with her warm dancing, everything sweetly phrased, gently rounded. It is a reading that beguiles, in comedy or in the deeper feelings masked by the jokes of the role, and we believe. Frantz is, by any standards, a scamp, but Mr James excuses his roving eye with hearty, well-shaped dancing and the right Galician dash: it is an honest and likeable characterisation.

From Alexander Grant a Coppélius of scuttling energies, who savours the most extraordinary moment in the score (and the action) when the old alchemist believes that he has at last breathed life into his doll. For a brief passage Delibes provides a luscious, yearning melody and the dance seems hushed by the mystery that is supposed to have happened. Then, with the simplicity of genius, Delibes leads us back to comedy, and so do Miss Sevillano and Mr Grant. It was as admirably done on stage as in the score.

The supporting cast was strong – a fine sextet of friends for Swanilda – and the ensemble dances went with a swing. *Coppelia* is still a masterpiece.

Clement Crisp

BBC Scottish Symphony Orchestra

ALBERT HALL

The Second Viennese School was embraced and glossed by the First in Tuesday's Prom given by the BBC Scottish Symphony Orchestra and Scottish Philharmonic Singers under the direction of Jerzy Maksymiuk. Masterpieces by Mozart – the G minor symphony, K.550, and *Coronation* Mass, K.317 – flanked masterpieces by Berg and Webern; and for a few charged moments at the beginning of the development section of the symphony's finale, serial technique itself was sported by Mozart, in a strikingly chromatic passage which, as pointed out by both Hans Keller and Luigi Dallapiccola, seems to anticipate Schoenberg's 20th-century discovery.

It was a pity, therefore, that Maksymiuk chose not to observe the repeat marks applicable here: Mozart's time-travelling bears a second audition, while the terrible finality of the symphony's last chords is paradoxically intensified when they come round again. This was a performance of sparkling phrase and supple rhythm but without the searing distinction of, for instance, Günter Wand's account, still lingering in the memory, with the BBC Symphony at last year's Proms.

Berg's Violin Concerto was played by soloist György Pauk with as much freshness as if it were a brand new piece, and all the wisdom and refinement that has accrued to him over a lifetime of exploring its depths. His sound is big enough to carry in the Albert Hall even through the orchestral climaxes, and sweet enough to break one's heart. The orchestra played no less ravishingly – the Bach chorale at the end was intoned with uncommon delicacy.

The Cantata No. 2 by Webern, his last work and one of his greatest, received a similarly touching and authoritative performance. Soprano Penelope Walmsley-Clark and baritone David Wilson-Johnson contributed solos of cut-glass precision, and the Scottish Philharmonic Singers gave every evidence of being comfortable with the ultra-subtle idiom of the piece, one which its composer, according to the programme-note, liked to think of as a sort of *missa brevis*. The same singing forces, joined by mezzo Christine Cairns and tenor Neil Mackie, went on to bring to a Mozart *missa brevis*, to wit K. 317, an incisive celebratory fervour.

Paul Driver

ARTS GUIDE

August 3-10

EXHIBITIONS

London

The National Gallery. The Artist's Eye – this year the abstract painter, Bridget Riley's turn to take her pick of the collections. She chooses a mere seven works, but all of them masterpieces – great figure compositions by Titian, Poussin, Veronese, Rubens, El Greco and Cezanne daily until August 31.

The Whitechapel Gallery. Euan Uglow – a retrospective of the paintings of the nude by a painter who is at once the most severely objective and the most seductive of our painters of the figure. Until September 3; closed Mondays.

The Royal Academy. The 221st Summer Exhibition of the Royal Academy – the usual gigantic and enjoyable free-for-all of painting, sculpture, print and architecture with nearly 1,200 works on show. Yet, as always, it is different this year for the particular treats it offers for the visitor who has the determination to search them out among the general mass. Daily until August 20.

Paris

The Louvre. The glass pyramid, built by I.M. Pei, the Sino-American architect, has opened to the public as a dramatic entrance to one of the world's most famous museums. Erected as a medieval fortress in 1204, the Louvre later expanded into a renaissance royal palace only to be turned into a museum in revolutionary 1793. Since then, the modernisation of the museum's infrastructure became a matter of utmost urgency and the pyramid's centralising role is an important step towards the completion of the project of the Grand Louvre planned for 1996. Open 9am-6pm, Mon and Wed until 9.45pm, closed Tue.

Martigny

Fondation Gianadda. A Henry Moore retrospective of some 50 sculptures, 80 drawings shown in rotation and 60 engravings is as impressive by the judicious selection of exhibits, as by the exceptional location for 12 of the monumental statues in a park with Alpine peaks as a backdrop. There are family groups, majestically reclining feminine figures, the hieratic couple of the King and Queen. But most of all, the works, be they in bronze, marble or alabaster, be they of vast proportions or fitting into the palm of a hand, are a hymn to eternal motherhood. Ends Nov 19 (026-223978).

Brussels

L'Ecuyer, 20th Century Crystal, ends August 30th. 187, Avenue Louise.

Centre Culturel le Botanique. A sense of catastrophe – art in the 1980s shows works of American and European artists. Closed Monday ends August 13.

Musée du Costume et de la Dentelle. Women and Equality 1789 - 1889. Ends Sept 24.

Amsterdam

Amsterdam Historical Museum. A selection of 70 design drawings from the private collection of art dealer Lodewijk Houthakker. Spanning four centuries, they range from delicate architectural detail to grandiose pipe-dreams, and merely whet the appetite to see more from this fabled collection of more than 1,100 sheets. Ends 17 September.

Frankfurt

Schirn, Kunsthalle, Am Römerberg 6a. A Wassily Kadinsky retrospective (1866-1944). Wassily Kadinsky, initiator and founder of the famous Blue Horse style also created a new form of abstract painting. He left Russia four years after the revolution and was forgotten for many years. To rehabilitate him 45 years after his death, 20 museums from all parts of the world have lent about 170 oil paintings, watercolours and drawings for this unique exhibition, only to be seen in Frankfurt. Ends Aug 20.

Bonn

Kunsthalle am August-Macke-Platz, Hochstadenring 22. Centres, Residences and Metropolis in German History. This interesting exhibition, organised by Bodo-Michael Baumunk, has about 1,500 pieces on loan from private collections and museums. It is the government's contribution to Bonn's 2,000th anniversary. The ground floor of the Kunsthalle, with all walls painted black for effect, offers a view of important paintings, silver items, signets and personal distinctive belongings of German politicians, from the Middle Ages up to the present. Aachen is represented as the seat of Charlemagne, Nuremberg as the Emperor's city, Regensburg as the town of the everlasting diet and Frankfurt as the seat of Germany's first national parliament. There are also portraits by Kokoschka of Konrad Adenauer, Theodor Heuss and Ludwig Erhard. A reconstructed model shows the original layout of Berlin's famous Wilhelmstrasse, the location of the Prussiangovernment and empire. A constructed steel bridge leads the visitor into the postwar period. Here, can be traced the first years of the Federal Republic of Germany and its capital Bonn. Sketches and models for the Bundestag are on display as well as photographs of the first German Chancellor, Konrad Adenauer, who strongly influenced the political postwardevelopment. Ends August 20.

Vienna

Secession. Never to be accused of neglecting the younger generation of Austrian and international artists, this gallery is exhibiting the Vienna artistic scene during 1989 as well as a marvellous photographic exhibition by Astrid Klein. Until August 27.

Rome

Galleria Nazionale d'Arte Moderna. The Sonnabend Collection contains a little of everything, from pop-art with some of the best-known works of Warhol, Lichtenstein, Jim Dine, followed by examples of American minimal art (Flavin, Judd, Morris), to conceptual art and *Arte povera*, with works by Gilbert and George, Paolini, Merz, Pistoletto and Kounellis, ending with some curious examples of German neo-expressionism. Until Oct 2.

Spoleto

Rocco Albornoziana and Church of S. Nicolo. 17th century painting in Umbria. The exhibition is the fruit of nearly 20 years research work by Professor Brunotoscano and a group of helpers, who have been through Umbrian churches and convents with a toothcomb, and the gloriously restored results can be examined close-to in two settings (of which the latter is by far the most satisfactory). The works are uneven in quality, but all are interesting, each telling a story (often with the sponsor looking pious in the lower right-hand corner), and often harking back in style to earlier artists such as Perugino. Not all are by local painters: a notable exception is fine work by the French painter, Jean l'Homme (signed and dated 1631), and some are discoveries, such as an unknown, Francesco Furini. One of the most beautiful is the Maestro di Serrone's arresting and enigmatic Workshop of Sangiuseppe where Christ (with an almost victorian head of curls and roughly eight years old) standing between his parents forms a rough cross from wood fragments from the workbench, and binds them together with thread from his mother's sewing-box, a mysterious smile on his face, while his parents' eyes meet in anxious premonition. Ends Sept 23.

Venice

Museo Correr. French impressionists from the Mellon collection at the National Gallery of Art in Washington: more than 40 works, among which are delights such as Courbet's seascapes, Seurat's La grande Jatte, and Renoir's Madame Monet and Son. Ends Sept 4.

New York

Museum of Modern Art. A retrospective of the work of Helen Frankenthaler covering 40 years in 40 paintings explores the development of abstract expressionism since the war. Ends Aug 20.

Washington

National Gallery. The first exhibit of the complete set of Mary Cassatt's colour prints includes familiar images of mothers and children from the American impressionist's oeuvre.

Chicago

Art Institute. Two years after his death, Andy Warhol continues to make news with his new diary; even his work retains surprising freshness amid the variety that extends far beyond familiar images like his Marilyn Monroe and Campbell Soup tins. Ends Aug 13.

Tokyo

National Museum. Heijokyo Exhibition. Important archaeological finds excavated in the past 30 years in Nara.

Doug Anthony Allstars

BLOOMSBURY THEATRE

As an Edinburgh fringe taster, the performances over the weekend at the Bloomsbury of the Doug Anthony Allstars gave a good indication of both joys and excesses to come later this month. The Allstars are an Australian trio from Canberra whose early background as "diplomatic brats", following their parents around the world, has resulted in a fairly unpleasant and noisily misogynist view of how to entertain an audience by inflicting upon them the pathetic delusion that you might be upsetting them.

The Allstars, clad in badge-infested black leather and given to inciting organised face-slappings in the audience, have acquired a reputation for outrageousness. I found them as outrageous as a Sunday afternoon in Kew Gardens, but then my standards of the outrage quotient in cabaret are set by Lenny Bruce, Peter Cook and, for Heaven's sake, Barry Humphries. I prefer sick jokes to be born of a liberal independency, as Bruce's and the best of Humphries's are/were. Being sick over women who fart is a self-gratifying sort of indulgent idea, while cracks about the fate of Salman Rushdie are grossly and pitifully reactionary. The new fascism takes many forms: I can now cite the Doug Anthony Allstars.

Their show is at the Heriot Hall in Edinburgh from this Friday, and will no doubt pander to that lager-loutish, middle-class, off the leash yo-ho-i-ness that characterises late night fringe and cabaret audiences at Festival time. Luckily for intending patrons, the bill is also graced by a delightful, technically assured exponent of surreal verbal comedy, Paul Livingstone, a bald raconteur of gathering anxiety who can fairly lay claim to being either the eggman or the walrus from *Sergeant Pepper*.

And even better proof that the Australian cringe has decamped in full regalia to the Edinburgh fringe is supplied by Mark Trevorrow as a mincing, bopping, middle-of-the-road TV talk show host given to hilarious renditions of "New York, New York", "My Way", and other bland classics of the straight pop scene. His character, Bob Downe, is anything but straight, more provincial queen with an absurd hankering for the big time. Highlight of the show for me was his account of how he acquired the dead Bee Gee's white suit and red shirt – by fax machine. There is a quality of joyful, satiric tackiness in Mr Trevorrow's act, something entirely lacking in the Doug Anthony Allstars.

Michael Coveney

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Leadership to measure

MR GEORGE Bush has been in politics quite long enough to have acquired a healthy cynicism about media assessments of his performance. Generally ignored or sneered at as Vice-President, then bitterly attacked for the style and tone of his presidential campaign, he enjoyed a brief honeymoon between election and inauguration, only to find himself reviled again in the first four months of his Administration for his slowness to get a grip on key issues and even to fill executive posts.

Came the Nato summit at the end of May and suddenly he was back in favour, seizing the arms control initiative at last from Mr Gorbachev and providing "leadership" where it was most needed, among the US's fractious and feckless European allies. Then last week he faced what is now considered the toughest test of presidential quality – a hostage crisis – and weathered it, not as yet triumphantly but with dignity and composure.

There is time for plenty more such ups and down before Mr Bush has to face the voters again: they have to pronounce only once in four years, but newspapers are published every day and feel obliged to reassess the presidency at every new turn of events. Two days ago the Wall Street Journal attempted such a "stocktaking", and found the President wanting chiefly because he had allowed Congress to encroach too far on his prerogatives.

Congressional clout

That is a concern which America's allies and trading partners would share if it turned out to mean that protectionists in Congress would dictate US trade policy, or isolationists would dictate foreign and defence policies. So long as there is no clear evidence of that, foreigners will consider increased Congressional clout a price worth paying for a smoother working relationship between executive and legislature. Too often under previous presidents important foreign policy decisions were delayed, or even reversed, by an unending constitutional feud. Besides, Central America – the area where Congress's influence has so far been most noticeable – is one where its views were shared by most of America's allies.

What is slightly surprising about the Bush Administration's foreign policy to date is the high priority that seems to have been given to European problems, at a time when conventional wisdom emphasises America's growing detachment from Europe and growing preoccupation with problems in its own hemisphere and across the Pacific. That wisdom may yet prove valid in the longer term, if the Cold War (of which Europe is the Central Front) continues to fade. But for the moment the very winding down of the Cold War imposes an agenda on the US President whether he likes it or not.

Elusive East Asia

East Asia, by contrast, remains elusive. No one doubts that, as Mr Bush himself affirmed at Emperor Hirohito's funeral, the US's single most important bilateral relationship is now that with Japan. That relationship is in danger of turning dangerously sour, given the readiness of the US public to blame "unfair" Japanese competition for all its economic problems. It needs care and attention. But how as a political leader do you conduct a relationship with a state where it has become impossible to tell who is in charge?

As for Latin America, Mr Bush can certainly not claim to have solved its problems. But he has made a reasonably promising start with Mexico, and elsewhere has at least avoided repeating his predecessor's worst mistakes.

In general, his willingness to stand back from certain problems, to put some "on the back burner" and to refrain from assertions or demonstrations of American power without a specific object in view, has been refreshing. The days are gone when all world problems called for an assertion of US "leadership", though nearly all of them still need a constructive and well-thought-out US contribution. Mr Bush may be the right President for such an age, provided he finds partners in other countries willing to shoulder their share of the burden

Paying for Canaryloo

WHEN THE East London Rail Study was published last month, Mr Cecil Parkinson, the new Transport Secretary, said the Jubilee Underground Line would be extended to serve the big office complexes under construction in the Docklands only if "sufficient contributions" were forthcoming from private sector developers. What he meant by "sufficient" is being tested in negotiations between civil servants and the private sector interests involved – principally Olympia and York, the Canadian company building Canary Wharf, the Docklands office complex expected to house 50,000 workers in the 1990s.

The talks over the Jubilee extension represent the Government's first serious attempt to implement a new policy on transport infrastructure. In the past, in the absence of over-riding political considerations, projects went ahead provided the anticipated social benefits exceeded the costs by a sufficiently large margin. If such calculations showed society would gain as a whole from new investment, taxpayers were expected to bear the bulk of the costs. No great effort was made to ensure that the groups likely to gain the most shouldered a proportionate share of the burden.

Practical limitations

But in January, Mr Paul Channon, Mr Parkinson's predecessor, announced that the cost of future transport projects would be met principally by the groups standing to gain – fare-paying passengers and developers whose assets would rise in value as a result of the investment. Treasury subsidies would become a last rather than a first resort, and be payable only in lieu of benefits that could not be captured in the market – for example in the case of a railway, the gains to motorists from less congested roads. Such an approach has attractions but may have limitations as a practical policy tool.

In the first place, the notion that the beneficiaries of a project such as the Jubilee Line extension can be identified with any precision is dubious. The proposed line would run from Green Park in the West End, via Waterloo, London Bridge and Canary Wharf to Stratford in East London. Access to the Docklands would obviously be improved, but movement within central London would also be facilitated. The linking of two of the biggest rail terminals could have unpredictable consequences for traffic flows throughout the capital. Even if a share of the benefits is allocated to the Docklands, the gain accruing to individual companies is a matter of pure speculation.

Appropriate time-scale

In any case, what is the appropriate time-scale for assessing the benefits? Travellers in London today are still benefiting from the Underground lines built by the Victorians. But there is no way that our willingness to pay fares could have been exploited in the 1880s. In reality, big public infrastructure projects tend to be acts of faith. The long-term nature of the benefits and the difficulty in identifying beneficiaries make reliance on general taxation often the least unfair way of financing investment. In the case of rail, such arguments are reinforced by the Government's failure to regulate the use of roads through market mechanisms.

Large transport projects must also be viewed in a wider development context. The Government made a decision in the early 1980s to promote the rebuilding of Docklands. It gave property developers valuable tax incentives and subsidised the London Docklands Development Corporation. By seeking large contributions to the Jubilee Line extension, the Government is attempting to claw back a significant proportion of those fiscal concessions. It is doing so, moreover, at a time when the future of the Docklands looks considerably less secure than seemed the case during the property boom of the mid 1980s.

Given its earlier decisions on Docklands, it is disingenuous for the Government to argue that a Jubilee extension should be conditional on sufficient support from private groups. Developers should pay appropriate taxes on windfall gains – whatever their origin – but the public sector has responsibility for ensuring that London travellers get the transport infrastructure they need.

ECONOMIC VIEWPOINT

UK Population 1984-86

Ethnic group	% aged 60 or over	Total* (thousands)	% UK born
White	21	51,107	96
All ethnic minority groups	4	2,432	43
of which:			
West Indian or Guyanese	6	534	53
Indian subcontinent	4	1,260	37
Chinese	5	115	24
African	4	103	35
Not stated	17	691	58
All groups	20	54,230	93

*Population in private households. Source: Social Trends

Comparative population densities

	Inhabitants per sq.km.		Inhabitants per sq.km.
Netherlands	432	Italy	190
Japan	328	France	102
Belgium	324	US	26
Germany	246	Australia	2
UK	232		

Source: OECD

Hong Kong

Distribution of manufacturing employment 1988, %

	%
Electrical	14
of which electronics	10
Textiles	14
of which knitwear	5
Clothing	29
Plastics	9
Other	33

Source: Corry report

How Hong Kong can help UK

By Samuel Brittan

Economic analysis cannot tell us whether or not Britain should allow free entry to Hong Kong immigrants who wish to leave before the union of their country with China in 1997. Little words like obligation also come into any assessment. But economic analysis can put to rest some fears and superstitions and also suggest that new opportunities could be opened up for the British economy as well as Hong Kong immigrants.

If all British passport holders in Hong Kong were to come to the UK, the resulting immigrant inflow would be 3.2m. Any such total would be wildly improbable. For many Hong Kong citizens the pull of familiar surroundings and the Cantonese culture would be too great. In a poll conducted by Survey Research Hong Kong, 62 per cent said they would stay in Hong Kong even if the right of abode in the UK were granted, 6 per cent said they would emigrate to the UK, and 15 per cent that they would emigrate to other countries.

It is nevertheless worth asking what would be the implications of the so-called worst case – that is, if all 3.2m were to come to the UK. With a total UK population of 56.9m, the resulting population increase would be 5.6 per cent.

This is large, without being overwhelming. The number of people involved would be greater than all the existing ethnic minority groups, estimated at 2.4m, of whom over 40 per cent were British-born.

On the other hand the potential inflow is far smaller than that which would take place into the German Federal Republic, if either the citizens of East Germany or all "ethnic Germans" from further East were allowed to leave their homelands – a process that may now be beginning. Under fundamental Federal law both categories have the right to settle in West Germany; and many of the ethnic Germans have a far poorer command of German or of German culture than Hong Kong inhabitants have of English.

As a first approximation, the economic effects of any increase in population are neutral – in sharp contrast to the harm or benefit attributed to it in popular discussion. Once the adjustments have been made, there will be more jobs but also more workers needing to be employed. There will be more Government revenue, but more calls for public spending. Output will be larger, but there will be more people over whom it would need to be spread.

The main difference at this level of analysis is that population density would increase slightly, which would be good if the receiving country is underpopulated, and bad if it were overpopulated.

The general impression of Britain being a tightly packed island is however not entirely borne out by the facts. The UK's population density is indeed much higher than that of Australia or even the US. But it is slightly lower than that of Germany, and much lower than that of the Netherlands, Belgium and Japan. It would be difficult to claim that the quality of living or of the environment is less pleasant in the Netherlands than it is in Britain. Indeed some people would say that environmental quality in the Netherlands also compares well with France, although its population density is four times as large.

The impression of high or excessive population derives, of course, from the south-east England. One of the main conclusions of a team of British economists under the leadership of Professor Bernard Corry of Queen Mary College, London, is that the key to the economic effects is whether Hong Kong immigrants congregate in the south east or are encouraged to spread throughout the UK.*

Even if a concentration in the south east is avoided, there will still be a transitional cost while the new population is being absorbed. For the UK has to have a higher investment ratio until the newcomers are fully equipped both with industrial and business capital, and with social capital such as schools, housing and roads. The resources used for this investment could otherwise have been devoted to consumption or to increasing the average level of productivity of the British economy.

The burden of this adjustment is obviously less if it is phased over a reasonable period. The Corry Report assumes that any flow of Hong Kong immigrants would be phased in gradually between now and 1997. On this assumption the average inflow of immigrants would be just over 400,000, resulting in an annual population increase of 0.7 per cent, which is very similar to that already taking place in the Netherlands, Japan and Spain, due largely to natural causes. And all this is on the deliberately extreme assumption of 100 per cent take-up by passport holders of right of abode in Britain.

Whether immigration from Hong Kong has better or worse effects than an across-the-board population increase depends on the characteristics of the immigrants.

While the 115,000 British residents of Chinese extraction find their employment overwhelmingly in catering, this is emphatically not the case for the Hong Kong population itself. Indeed 51 per cent of the colony's labour force is to be found in industry compared to only 38 per cent of the UK labour force. Moreover 70 per cent of Hong Kong manufacturing output is concentrated in sectors where the UK suffers from skill shortages. An important minority of the immigrants would be highly skilled or of professional status.

There are other pluses, such as the low dependency ratio. The median age of the Hong Kong population is between 25 and 29 compared with nearly 40 in the UK. The proportion of people over 65 is half as high.

The most important question turns out to be whether the existing distribution of British population of Chinese extraction is followed by the new immigrants – in which case nearly a half of them would go to the south east – or whether, at the other extreme, they can be induced to settle in the major cities and industrial areas of the north where the population is otherwise expected to decline and where land is available and relatively cheap. Although the initial allocation of entry permits could depend on the willingness to settle north of Watford, surely the immigrants themselves could then be expected to appreciate the cost-of-living advantages of the northern parts of the country without further pressure.

The Corry Report expects the UK balance of payments to benefit from the transfer to the UK of Hong Kong's predominantly export industries such as textiles, clothing and electrical goods where labour is relatively cheap and demand is sensitive to price. But an offset would occur if the immigrants settled in the south east and were housed at public expense. Both aspects could produce inflationary overheating unless counteracted by corrective policies. With a successful regional steer there could, on the other hand, be real regeneration of declining areas.

The main adverse consequences would be more competition for unskilled jobs and general pressure on those in a marginal position in the UK housing market in the private rented sector, including, in Corry's words, "the unskilled, the old, the young, women and existing ethnic minorities." Whether these pressures are inevitable or are the consequences of past housing policies is debatable; and they will in any case be alleviated to the extent that the new immigrants settle outside the expensive urban areas of the south east. Still, one can at least see why many British Labour leaders feel that there is nothing in it for them in espousing the Hong Kong cause.

Why then do Conservative leaders not rush in to embrace it? It would be kinder not to speculate; but the reasons can have little to do with British economic performance. The entrepreneurial qualities which at least some Hong Kong immigrants would be likely to bring can only be hinted at in a conventional cost-benefit study. But they would probably do more to give the enterprise economy a new lease on life than any other policy on the horizon. Sir Geoffrey Howe once described his original conception of enterprise zones in declining city areas as "miniature Hong Kongs." Why not have the vision for real?

**The Corry Report, undertaken for the South China Sunday Morning Post, is obtainable free of charge from Kingsway Roland, London. 01-436-4060.*

BOOK REVIEW

In search of the real past

SOVIET HISTORY IN THE GORBACHEV REVOLUTION
By R.W. Davies
Macmillan, £29.50

We forget that glasnost has been responsible for shaming many people. Shame now covers at least two generations of Soviet scholars, particularly historians.

"There is not and never has been a people and a country with such a falsified history as ours," says Yuri Afanaseyev, one of the new wave of "clean" historians. Soviet history has since Lenin's day been pressed and squeezed and carved according to the dictates of Party policy. Repayments on the debt owed to the truth are falling due.

Part of that repayment is the unmasking of hundreds, even thousands, of hack historians. According to R.W. Davies, who is Professor in the Centre for Russian and East European Studies at the University of Birmingham, this unmasking is a bitter struggle. Young and old reformists are coming in from the cold of a decades-long exile to the wilderness of minor scholarship where, though ostracised, they were not compelled to tell the big lies. They are fighting to take positions from other academics who still command much of the historiographic high ground.

In the distortion of truth, Soviet scholars were in a class of their own. Often unable to read what was being produced by western Sovietologists and always unable to use such material, they were given opportunities to travel abroad and were praised for criticising foreign scholars. Daniel Bell, the doyen of US sociologists, told me that on a visit to the Soviet Union two years ago, he met a Soviet counterpart who had regularly denounced him in international forums as a revisionist lackey. Bell said the man apologised; he was ashamed and could say so now.

Shame apart, falsification of history on this scale has massacred memory and belief and has swelled the hatred for the confidence trick felt by every thoughtful person. None of the Soviet Union's peoples – and none of the east European peoples over which Moscow has held sway – has had a true history. The consequences of their search to recover one are now being seen.

Already, Davies says, the people of Armenia have learned that the enclave of Nagorno Karabakh, which they claim as their own, was signed over to their traditional rivals and enemies, the Azeris, by Stalin in 1921. The Armenians were informed of this fact last year after 67 years of silence on the matter.

There is more to be revealed. Still to be told is the loss by all republics of the best of their intelligentsia in anti-nationalist purges after the war when members of this elite were shot, imprisoned or died in camps. Yet to be widely publicised is the fate of repatriated Soviet prisoners of war who survived German captivity only to be shot by their own people. There is also the vast archipelago of internal detention camps and the memory of countless purges, denunciations and betrayals. What a dam is still to burst over the heads of all thoughtful Soviet citizens. No wonder Mikhail Gorbachev, who has legitimised this enquiry by calling for an end to "blank spots" in history, at times still retreats behind pleas for "responsibility".

For he wants a certain kind of history too. "He is evidently convinced," says Davies, "that it is politically essential to hold up Lenin and Leninism as a model and a frame of reference. This treatment of the Lenin tradition as an absolute is a severe limitation on the objective reconsideration of the past."

That is true, of course, but we do not yet know how absolute the "Lenin tradition" is going to be. Late last year and early this year, after Davies' book was completed, a series of articles in the journal Nauka i Zhiz'n (Science and Life) startled Moscow's intelligentsia. The author of the articles, Yuri Tsipko, refused to acknowledge the boundaries of the new convention and had a go at Lenin, making it clear that he shared responsibility for the terror which began under him and continued after his death. A few other writers and historians have tentatively followed Tsipko's example of forthrightness.

Some revisionist Soviet historians appear nearly ready to renounce the value of the 1917 revolution itself. There are many intellectuals, including historians, in the Soviet Union who wish to believe that the dreadful things done during Stalin's time in power matched the horrors of Nazi rule in Germany, that the maintenance of the empire has damaged the Soviet republics, the socialist states and Mother Russia herself. They wish to believe what many in the West believe.

Could they become a historical school? Could Gorbachev's desire to revitalise socialism tolerate such an argument?

"I have much to do today, I have to kill my memory stone dead," wrote the poet Anna Akhmatova, whose inability to do just that caused the authorities to silence her in the 1930s. She was not alone. A collective memory has not been killed, nor has a tradition of scholarship died, though both have been enfeebled. Attempts are being made to invigorate them. Soviet history is beginning to acquire an awesome and subversive power.

John Lloyd

OBSERVER

Bond to the rescue

■ A tangible example of British Telecom's determination to eradicate its stodgy image is the appointment of Bruce Bond, an imposing black American, as its new director of corporate strategic planning.

Bond could hardly be more different from typical top BT executives who, in a hangover from civil service days, are often colourless and timid. The American, by contrast, who spent the last 20 years working for AT&T and US West, one of the "Baby Bells", is an expansive personality and full of jokes.

One of his first tasks, says the 43-year-old who took up his post this week, will be to put up some "Cowboy and Indian stuff" to replace the Vermeer prints of his predecessor which, he thinks, do not reflect the right spirit. His longer-term plan is to help build BT into the finest telecoms organisation in the world.

Bond is not a man to shirk big challenges. While at high school, he played American football for Ohio state. His first job after college was as a civil rights worker, when he came into contact with Martin Luther King. In more recent years, he has given dinners to support Jesse Jackson's campaigns for the presidency.

Bond's childhood was not advantaged – his father spent 43 years as a steel worker – but it was not deprived either. As he grew up, he had four successful and much older siblings as role models. His sister Lucy, for example, was a Colonel in the US Army and his brother, Monroe, a post-master general in Cleveland.

His father stressed education and hard work, which helps explain Bond's string of academic qualifications and workaholic 13-hour days. Now married with two children, he has a voracious appetite for much else besides. He consumes three or four books a week – everything from spy novels to business books and Stephen King's horror stories – and is an avid movie-goer with a particular fondness for Arnold Schwartzenegger, a Rambo-type actor with huge muscles.

Bond also confesses to spending hours playing 300-400 computer games on four separate personal computers, an exercise which he says is intellectually challenging rather than mind-numbing – provided you pick the right games. His favourite is called Colony, in which an intergalactic policeman arrives at a planet and has to find out why all the adults have been killed and the kids frozen. He then has to resuscitate the kids. Perhaps he will do the same for BT.

Simon says no

■ Mrs Thatcher's mission to find a new man to make the trains run on time and force the rail unions to march in step suffered its first reverse last week when David Simon, British Petroleum's finance director, turned down the job.

Friends say that Simon, who is highly regarded as a strategist at BP, was much surprised to read newspaper stories last month that he was thought to be the answer to the Cabinet's frustration with the way British Rail handled its recent strikes.

Last week, however, he was finally approached. His response was that he had recently made some firm commitments to the BP board.

Important moves can be expected from the latter quarter soon. Sir Peter Walters, the chairman, gave a dusty answer to NatWest earlier this year, mainly because his ideas for slimming down the bank's board and putting top management through a fitness course, though prescient, appeared too strenuous for the incumbent directors.

Walters is expected to leave BP in the not-too-distant future, and although it is widely assumed that the mantle willfall on his newly promoted deputy, Robert Horton, Simon has been considered a close contender and a man likely to remain very close to the centre of power in Britain's largest company.

"I'd heard their new Foreign Secretary lacked presence."

Mersey move

■ Here's an odd mix. Neilson Milnes, the Liverpool stockbrokers, are setting up an office in London which will specialise in Swedish and Finnish securities.

There are several strands to the story. JS Gadd Holdings bought a 49 per cent stake in Neilson Milnes, a mainly private client concern, last year. Gadd has substantial Scandinavian interests. Steffan Gadd, the chairman, is a former Secretary to the Confederation of Swedish Industries as well as a former chairman of Samuel Montagu. Peter Engstrom, one of his executives, is a Swedish economist who used to be at the IMF and, more recently, headed the International Loan Department of the Swedish National Debt Office.

One of the Britons involved is David Ramage who, not so long ago, was the only British expert on Finnish securities in London: he says that there are now about three others. Ramage, now 41, picked his specialisation largely out of curiosity. He worked for the Swiss Bank Corporation, then moved to the Union Bank of Finland to set up its equity department in London. No-one demanded that he learned a lot about the Finnish scene, but he did, and also began to specialise in Sweden. A genial fellow, he admits to being less well up on Norway and Denmark.

Neilson Milnes has offices in Edinburgh and the Lake District as well as Liverpool. The London operations begin on Monday from 45 Bloomsbury Square, WC1.

New numbers

■ Citizens of the United States make more telephone calls than any others – about 1800 a year per head. The Swiss make the most international calls per head and the Swedes have the most connections – 66 per hundred people. The fastest growth last year was in Turkey where the number of connections rose by nearly 50 per cent. There has also been rapid growth in China, but the ratio of people to telephones is still only 100 to 1. The figures come from Siemens new International Telecom Statistics, 1989.

Fear of flying

■ Two caterpillars were eating a cabbage leaf when a butterfly flew over. "I don't know how you feel," said one to the other, "but nothing would induce me to go up in one of those contraptions."

George Graham on the recent spate of takeovers in the French insurance sector

Premium battles ahead of 1992

Over the past 18 months, French insurance companies have been making their presence felt in the European market with a string of acquisitions.

Some recent examples:

● In February Axa won control of Compagnie du Midi after a year of infighting between its chairman, Mr Claude Bébéar, and Midi's Mr Bernard Pagézy.

● Last month, Groupe Victoire hauled itself into the ranks of Europe's largest insurers by taking control of the West German company Colonia from Sal Oppenheimer, the private bank. This week, infighting broke out at Victoire; after the group's shareholders agreed on the purchase of Colonia, negotiations on how to finance it caused the delicate balance between them to break down. Suez, the privatised investment group, on Tuesday launched a bid for Victoire's key shareholder, the holding company Compagnie Industrielle, and for Victoire itself.

● Days after the Colonia deal was clinched the two leading French reinsurance companies, Scor and UAP Re, announced their alliance. They create a group which – while still smaller than giants like Munich Re, Swiss Re and General Re – is uncontestably a reinsurer of international stature.

● These deals followed several smaller acquisitions in Italy, Spain, Belgium and the UK, in which all five of the leading French insurers have been active.

Priorities have varied from company to company. Some have favoured the life sector, which is the fastest growing sector in France and in several markets of southern Europe. Others like Assurances Générales de France with Sentry in the UK and MAA in Italy, have made an effort in the difficult motor market.

The alacrity with which France's insurance companies have snapped up virtually every company on offer in the past year and a half, and at prices that have been anything but miserly, has prompted some doubts about the strategies they are pursuing. Is it just a desperate rush to catch up with the 1992 bandwagon?

Main French insurers

Company	Profits (net)*	Premium income*
UAP	2.85	55.6
AGF	2.1	32.8
GAN	1.95	23.5
Victoire**	1.45	18.9
Axa-Midi	1.35	37.0

*FFr bn. **Plus Colonia Gp DM73m ('87); DM8.4bn ('88)

It is clear that 1992 has sunk very deeply into the consciousness of French insurers, financiers and finance ministry officials. The concrete effects of the move towards a single European market will be slow to appear in insurance with only a few sectors such as industrial insurance and mutual funds opening up in the short term. But French insurers are also worried about the possible flight of funds and business to other countries when capital movements are finally freed.

It is equally clear, however, that most French insurance companies had, a few years ago, considerable weaknesses in their international networks, and that they have set about remedying the shortcomings.

Helping the move into Europe has been the removal of several handicaps: the weight of a musty rulebook, now in the process of being updated, the burden of exchange controls, now largely abandoned, and the heavy-handedness of a government whose three nationalised insurance companies were until recently the dominant force in the sector.

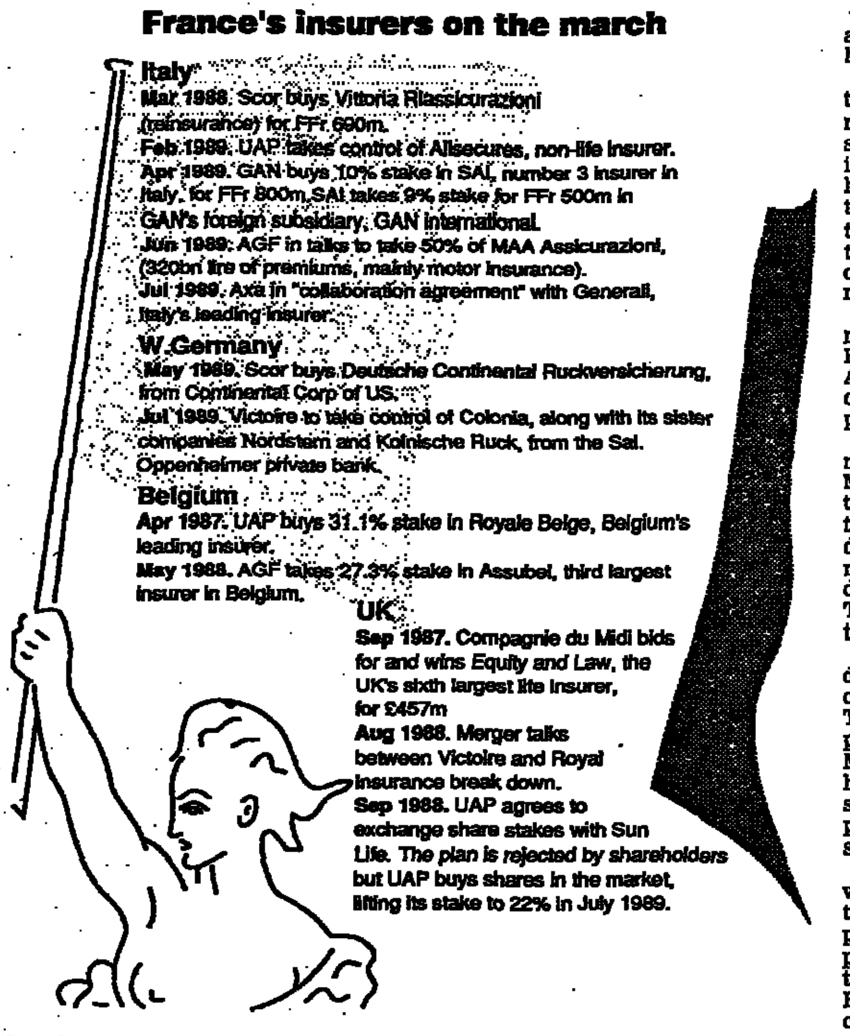
The running is now being made by the private sector, in the shape of Axa-Midi and Victoire, and by mutual companies like Macif or MAAF. Mr Bernard Pagézy, the former chairman of Midi, complained that exchange controls added 25 per cent to the cost of acquiring a foreign company and prevented him from expanding abroad in several instances, before he was finally able to acquire Equity and Law in the UK for £448m in 1987.

Other French insurers have also claimed that it was the government's slowness to react that prevented Assurances Générales de France (AGF), the number two state company, from winning RAS, one of the choicest plums to come on the market in Italy in recent years. However, some analysts note that RAS, eventually acquired by Allianz of West Germany, was widely thought at the time to be overpriced, and that only hindsight has turned it into such a missed opportunity.

Victoire's acquisition of Colonia appears to overcome another obstacle. In the past, some West German insurance companies have refused to consider a French purchaser on the grounds of mutual incompatibility.

(The deal cocks a double snook at British insurers. First, it rubs in the failure of the UK's Royal Insurance to complete a merger with Victoire last year. Second, the big UK insurance companies were not even offered Colonia, because they would have been required by the London Stock Exchange to spill all the beans to their shareholders, thus breaking Oppenheimer's requirement of secrecy.)

While most of the leading French insurers have been attacking neighbouring European markets at the same time, their strategies have varied. And because most of their chairmen are intellectual civil servants with a penchant for rational analysis, the divergences have developed almost to the point of theological debate.



The first point of dogma concerns the relationship between insurance and banking, or "bancassurance," as the French have now termed it. Mr Jean Peyrelevade, chairman of UAP, has embraced the concept of linking the two trades, and has formed an alliance with Banque Nationale de Paris (BNP), the largest state-owned bank. Mr François Heilbronner, of the smaller state insurer Groupe des Assurances Nationales (GAN), has gone further by acquiring control of the CIC banking group, though not everyone envies him the task of putting some order into this disparate federation of regional banks.

On the other side of the divide, however, stand Mr Bébéar of Axa, who believes that "if you try to do three trades, you do all three badly," and Mr Michel Albert, chairman of AGF. The second point of dogma relates to the question of size. Mr Bébéar rarely misses an opportunity to point out how small European insurers are in comparison with the Japanese giants.

Size has its problems, however, especially when it is acquired in a hurry. Axa itself is the best example, for Mr Bébéar's programme of expansion has been rapid, first within the mutual insurance companies which form Axa's root and then with the acquisitions of Drouot, Présence – itself a merger of the Providence and Secours companies – and Midi.

While many analysts still believe Mr Bébéar is the most effective manager in the French insurance business, some have begun to doubt whether he will have time to grapple with his network of 4,400 tied agents – a quarter of France's total, for only a tenth of total premium income – *before things start to go wrong.*

If it can be difficult to carry through a domestic merger, overseas mergers are often more harrowing still. The integration of Equity & Law into Compagnie du Midi was not helped by the long power struggle at the group's head – which included the voting down of Sir Douglas Wass, the British company's representative on Midi's board, at a shareholders' meeting earlier this year.

Foreign markets, however, are in many respects the least of the main French insurance companies' worries. At home, they have quite enough of a competitive problem to keep them preoccupied.

The first menace is the group of mutual insurance companies such as Macif, GMF or MAAF, who operate through salaried staff rather than through commission-earning intermediaries. The mutuals have, in general, much lower cost structures than traditional insurers like UAP or AGF. They have also, in many cases, a better control of their risk profiles.

The mutuals have in the past decade devastated the traditional companies' hold on motor insurance. The 11 largest mutuals now control 48 per cent of the motor market, and Macif is clear market leader. They have now turned their attention to sectors such as health and personal property insurance, and have made substantial inroads in these areas too.

The second menace is the banks, whose entry has been mostly limited to savings-oriented life assurance products. Life assurance is, however, precisely the market segment offering the greatest growth prospects in France, with premiums rising 35 per cent last year to FFr 156bn (£14.8bn), and an average growth rate of more 20 per cent for the past five years. Banks took 30 per cent of this market, with Predica, the life assurance subsidiary of the Credit Agricole banking group, pushing into second place, behind UAP, with an 11 per cent market share in only its third year.

With these competitors on the domestic front, the challenge for France's traditional insurers is less whether they can snap up foreign acquisitions than whether they are able to bring their own product ranges and distribution networks into the 1990s.

LOMBARD

The myth of the chasse gardée

By Martin Wolf

UMBERTO AGNELLI, one of Europe's most distinguished businessmen, has remarked that "the single market must first offer an advantage to European companies. This is a message we must insist on without hesitation." In these words he articulates the vision of the *chasse gardée*, the notion that the European Community is engaged in a war for survival with two economic superpowers, the US and Japan, and can win this battle only by providing a protected home market for "our" companies.

The underpinning for this view is belief in economies of scale. Such economies of scale – it is argued – must be made available to European firms if they are to compete on world markets. What is needed for this is a large, preferably protected, domestic market.

The argument does not stand up well to microeconomic scrutiny, but it is still more doubtful when one looks at the bigger picture. According to the World Bank, the 10 richest industrial countries in 1987 were (in order of income per head) Switzerland, the US, Norway, Japan, Sweden, Canada, Denmark, Finland, West Germany and France. The populations of these countries were, respectively, 6½m, 244m, 4m, 122m, 8¼m, 26m, 5m, 5m, 61m and 55½m. Can anyone detect a link between wealth and country size?

The same point applies to economic growth. If size of market were decisive, the US economy should have grown faster than all others after 1945, since its market for manufactures was roughly half of the world's at that time. But precisely the reverse happened.

Even Japan provides no counter-example. Its post-war economic performance has been the best of all industrial countries, yet it is a relatively protectionist country with a large population. Its economy grew fastest in the 1960s, however, when its market for manufactures was no larger than that of a medium-sized European economy like France.

Over the last 25 years, the world's most consistently successful economies have been those of Hong Kong, Korea, Singapore and Taiwan. Yet the Korean domestic market for manufactures, the largest of these four, is roughly the size of London's. Twenty five years ago its domestic market had the purchasing power of a borough like Southwark. If size of domestic market were really what matters, the great developing country success stories would, instead, have been China, India or Brazil.

How is it possible for small economies to do so well? The main reason is that a high standard of living can be achieved by a small country only if its firms are successful in world markets. Switzerland and Sweden, for example, possess many large firms that have prospered, but only by meeting world competition.

In bigger countries firms can rely on protection, instead, which industrial countries tend to grant to their more sophisticated industries through public procurement. The existence of a sizeable domestic market can then be a real disadvantage, above all if there is also limited competition within it (a mistake that Japan has avoided). It is not that a large domestic market has to be a handicap, but rather that it will become one as soon as it is used to shield firms from competition, particularly global competition. Productivity growth in British defence industries, for example, appears to have been consistently lower than where production is destined for more competitive private markets.

It is only if the world as a whole were to turn protectionist that a large domestic market would be valuable, but by mitigating the damage rather than by providing any positive benefit. The EC could, therefore, make the myth of the *chasse gardée* true by its own protectionism, but it would be most ill-advised to do so.

Fortunately, the danger is small. Policy-makers in the EC seem to realise that the benefit of the single market programme is not that it will allow protection of European industry, but that it will throw protected national industry open to greater competition. The internal market programme should be viewed, not as an alternative to global liberalisation, but as a step towards it.

LETTERS

'Macro' and 'micro'

From Mr Charles Taylor.

Sir, I note with mixed feelings that David Henderson, of the OECD, was singled out for attack (Lombard column, August 4). Michael Prowse smoothly derides the OECD's concern about micro-economic reform by pointing to Germany as an example of a country which has done little to remove its structural rigidities and is doing well, none the less.

I am not sure that Mr Prowse and I know the same Germany. His Germany is sclerotic, but tough as old rope. My Germany has its problems but is a leader in the movement toward a single European market – which is nothing other than an international programme of micro-economic reform.

In fact, directly and indirectly, much of Germany's recent surge in growth might be explained by that ongoing effort at by-pass surgery for the EC economy as a whole.

No doubt Germany's current prosperity owes much to stable prices – to Bundesbank toughness. Good macro-economic policy has played a part. Still, decidedly micro-economic factors must account for the persistent high level of German savings, which has financed German growth. Equally, long-standing micro-economic policies as well as social attitudes must explain the quality of the German school system, which has translated into the quality of German goods and services and, hence, into superior economic performance.

Germany's lesson is not that micro-reforms are irrelevant for the rest of us. Rather it is the more prosaic one that micro- and macro- economic policy are complementary. Indeed, contrary to Mr Prowse's assertion, there is plenty of evidence that Germany's performance could have been improved by better micro-economic policies. Its unemployment record is nothing to boast about. Its enduring trade surplus has not helped the process of international economic adjustment.

What I say is not particularly new. You can find it all in recent OECD analyses of German policy and prospects. (Or, for that matter, in recent work by the IMF.) And the larger argument – for coherence between micro and macro economic policy – was brilliantly argued in David Henderson's 1985 Reith Lectures.

Mr Prowse's column was a good read. But it did not add a lot to the debate.

Charles Taylor,
3911 Argyle Terrace NW,
Washington DC 20011,
USA

Engineering attitudes to 1992

From Mr Denis E. Filer.

Sir, Nick Garnett's report (August 3) of a survey of attitudes conducted by The Engineer magazine contrasts sharply with my experience.

The questions sent to readers seemed heavily loaded in favour of a negative response – and 434 replies is a small sample from which to derive firm conclusions. A third of these saw the single European market of 1992 as more of a threat than an opportunity for most British companies.

Only a fortnight ago the Engineering Assembly, composed of more than 100 members elected by registered professional engineers and technicians, overwhelmingly passed a motion embracing the European dimension. The speakers were enthusiastic and bullish, aware of the opportunities and eager to take them.

Indeed, two years ago – well ahead of 1992 – the engineering profession adopted a pan-European qualifying title of European Engineer (EurIng). Already, nearly 2,000 such titles have been awarded, more than from any other European country. Our elected members, who are spread across the whole range of engineering disciplines, were keen that engineers should take even more of a lead, particularly relating to harmonisation of standards and co-operation in R&D (research and development).

My experience in talking to engineers at all levels, from students and the newly-qualified to chief executives of large companies, is that almost without exception they see 1992 as an exciting prospect.

The survey figures also showed that 79 per cent of the respondents of this small scale survey believed that British industry would lose out if the UK Government "doesn't get in tune with Europe." While many of its actions have been beneficial and of a higher standard than those of other countries, the Government must reaffirm its determination to lead in the EC.

Our engineers, I am convinced, seek to lead in Europe, and see 1992 as a challenge rather than a threat to themselves or to their companies.

Denis E. Filer,
The Engineering Council,
10 Maltravers Street, WC2

Bi-lingual into business and technology

From Miss Kara Smith.

Sir, While Brunel may well be the first university to launch a bi-lingual teaching package combining languages with manufacturing engineering (August 2), we in the polytechnic sector, responding to the needs of European business as 1992 approaches, have had a much more comprehensively bi-lingual course in operation for rather longer than the universities.

Brighton Polytechnic's BSc (honours) European Business with Technology course, launched three years ago, is an Anglo/Italian course in every way. It is organised and run jointly by the Department of Business Management at Brighton Polytechnic and the Politecnico di Torino.

The students – half of them British, half Italian – also qualify with an Italian Diploma in Industrial Production. They spend half their time in Italy and half in England (including six month industrial placements in each); the teaching is conducted in the native language in each country.

Next June our first graduates will emerge, fully bi-lingual and with qualifications equally recognised in both Italy and England, which combine skills in both business and technology.

Kara Smith,
Brighton Polytechnic,
Mithras House, Lewes Road,
Brighton, Sussex

Satellite TV systems

From Mr Peter Bell.

Sir, I read with dismay your emotive headline "Sky Races Ahead of BSB in Satellite Television Stakes." Given that the satellite environment will be a one-horse race until the spring of 1990, your findings are hardly surprising.

Putting aside the research basis and questions asked by Kennington in this monthly tracking study, a cursory glance shows that of 4m households which say they will definitely or probably have satellite television, a total of 51 per cent have yet to make up their minds about either system, while 9 per cent are already convinced that they should choose BSB. As some 60 per cent of your sample is either undecided or biased in favour of BSB, your headline rather distorts Sky Television's market position.

Recently commissioned research on our behalf shows that some 83 per cent of those who will probably buy or are likely to buy satellite television intend to wait until next year. The seeds sown in our campaign to date, advising the public to wait and compare our programme quality with that of other broadcasters, have reached fertile ground. Let us hope that, in the future, the objectivity for which the FT is renowned will not be compromised by emotive reporting.

Peter Bell,
British Satellite Broadcasting,
Marcopolo Building,
Chelsea Bridge, SW8

Remember the trains

From Sir Peter Newsam.

Sir, Mr Stephen Garvin believes that the UK would be better off without local government (Letters, August 7). Mussolini took much the same view in Italy in the 1930s; Mr Garvin could have expanded on the benefits of that approach. The trains began to run on time, for example . . .

There are, of course, one or two disadvantages to the system created when all political power is concentrated in one place. Readers whose memories stretch back to the early 1940s will be aware of these, even if Mr Garvin is not.

Peter Newsam,
Association of County Councils,
66a Eaton Square, SW1

FINANCIAL TIMES
Thursday August 10 1989

Arafat emerges victor at stormy Fatah meeting

By Jihan El-Tahri in Tunis

AFTER a week of frequently stormy meetings in Tunis, Mr Yassir Arafat has beaten off his critics and emerged in unprecedented command of his mainstream Fatah faction of the Palestine Liberation Organisation.

Mr Arafat, the PLO chairman, obtained unequivocal support from the 12,000-strong Fatah congress for the peace initiative launched by the PLO last November, which calls for the establishment of a Palestinian state co-existing in peace with Israel.

His leadership was endorsed overwhelmingly – for the first time without even being put to a vote – and he strengthened his grip over Fatah decision-making bodies by securing the election of a number of his supporters.

The meeting, which ends today, was the first of a Fatah congress – the widest decision-making body in the PLO's largest faction – for nine years.

Some delegates took the opportunity to unlease a barrage of criticism against Mr Arafat, attacking his autocratic style of leadership, his single-handed control of the group's financial affairs as well as of his military wing, and in some cases what were described as unwarranted concessions to Israel.

A leading critic, Mr Rafiq al-Natshe, the PLO's representative in Saudi Arabia and one of the group's founding fathers along with Mr Arafat, was voted off Fatah's policy-making central committee in elections on Tuesday.

There was little trace of the opposition in the political programme agreed by the congress this week.

This endorses a two-state solution to the Palestinian-Israeli conflict, but explicitly rejects plans for elections in the occupied West Bank and Gaza Strip put forward by the Israeli Government under Mr Yitzhak Shamir.

It stresses that any elections in the occupied territories can only be conducted under international supervision after the withdrawal of Israeli troops and in connection with a final and comprehensive settlement to the conflict.

This is much in line with the position that Mr Arafat has taken, but which has not prevented him from exploring ways of building on the elections idea.

However, the programme also calls for a "continuation and escalation of armed struggle and all forms of struggle to end Israeli occupation of our occupied Palestinian land."

The reference to escalation of military action was seen as a relatively minor concession by Mr Arafat to hardliners. Mr Arafat is thought unlikely to reactivate Fatah guerrillas in southern Lebanon while his peace initiative remains on the table.

In effect, Mr Arafat – while reaffirming faith in the principles of the nationalist movement he helped to found in Kuwait more than 30 years ago – has won more freedom of manoeuvre than ever to pursue peace efforts.

He has also revamped the Fatah decision-making process by creating two new consultative bodies and brought fresh blood into the group's institutions.

Nine new members were elected to an enlarged central committee this week, including the first woman to serve on any top PLO body, Mrs Intissar al-Wazir, widow of the PLO's murdered military commander, Abu Jihad.

Yassir Arafat with Intissar al-Wazir, first woman to be elected to the central committee, in Tunis yesterday

Japanese eye the Western kitchen

Michiyo Nakamoto reports on the trend for electrical appliances

JAPANESE homes, with their hopelessly cramped quarters, have never been a likely place for big Western-made household appliances. A standard US or European-size washing machine, for example, would fill up the entire bathroom in an average Tokyo apartment.

But changing consumer preferences, coupled with a budding rebellion by Japan's large-scale discount retailers against the strict retail price maintenance rules imposed by the powerful domestic manufacturers such as Toshiba and Hitachi, are helping foreign makers of household electrical goods increase sales in Japan's demanding consumer market.

Imports of foreign domestic electric equipment, including items such as refrigerators and washing machines, have surged recently, increasing more than 10-fold in a little over three years from $11.3m in January 1986 to $125.2m in June 1989.

Between January and May 1989, 2,500 refrigerators made in the US and 1,400 made in Europe were shipped to Japan; unimpressive numbers perhaps, but they did represent increases from the same period a year ago of 162.8 per cent for the US and 125.2 per cent for Europe.

The trend is likely to be accelerated by the unexpected moves recently by some of the country's biggest discount chain stores to put Western imports on sale for the first time in their history.

In April, Sato Musen, a large discount chain store, turned an entire floor of its store in Akihabara, Tokyo's mecca of discount consumer electrical goods, into a display area for imports.

Dai-ichi Katei Denki, another home appliance retail chain with 196 stores throughout Japan, surprised the industry a few months ago by announcing a joint venture with Sears Roebuck of the US to import Sears' own Kenmore brand of large refrigerators.

Since June the refrigerators have been on display at Dai-ichi's Akihabara store – the first foreign products to be sold there (apart from a few electric shavers) in the company's 30 years in business.

Foreign brands of household appliances have been a rarity in Japan partly because their prices have been uncompetitive, but mainly because of the stranglehold the big domestic manufacturers have on the distribution systems.

The majority of Japanese homes are still far too small for foreign products and retailers report that more than a few over-optimistic buyers have had to give up their new American refrigerator because it would not go through the kitchen door.

Each of them has its own network of high street electrical shops around the country which sell only their brands. And, until recently, they have all managed to keep the big independent discount shops in Akihabara and other similar areas sweet by allowing them to offer fairly generous discounts. Meanwhile, importers of household appliances had to content themselves with selling through catalogues kept at department stores and in import speciality shops.

In the past year, however, the domestic manufacturers, seeking to improve their profit margins, have been demanding that the discount retailers raise their prices. The retailers have baulked, pointing out that in the wake of the revaluation of the yen, the prices of Japanese goods are already too high. And to prove their point, they have begun importing foreign products. "It has been an indirect form of retaliation," admits one retailer.

Even before their clash with the domestic makers, the discount store operators had a creeping fear that unless they offered something more than low prices and local products, they could gradually lose their grip on Japan's increasingly affluent and adventurous consumers.

There are more wealthy Japanese who can afford to buy imports and who have started looking for more upmarket goods rather than just low-priced quality goods.

"We want to attract more upmarket customers to our store," says Mr Hiroshi Sato, director of Sato Musen, who is proud that his store is the only one that has dedicated so much precious space to imports.

In addition the lifestyle of urban consumers is changing rapidly. People who have lived abroad have grown accustomed to doing one huge load of laundry instead of the three loads that they are obliged to do in the typically small Japanese washing machines.

Bigger washing machines, refrigerators, and dishwashers are naturally attractive to the increasing number of housewives who have to do all their food shopping and housework at the weekend, either because they work during the week or because they are too busy running around to luncheons and club meetings.

Apart from this change in consumer preferences, a cut in prices made possible by the stronger yen and the abolition of commodity taxes on luxury goods last April have made imported home appliances all the more attractive. "The price difference between domestic and imported products is shrinking to the extent that there really isn't much difference," claims an official at Yamagiwa, one of the main retailers of electrical goods.

Yet despite their growing acceptance in Japan, foreign makers of household appliances will be hard put to win a larger share of the market. "We don't expect an explosion of demand for foreign products," says Mr Yoshitaka Nishida, a public relations officer at Dai-ichi Katei Denki.

For one thing, the foreign makers are not exactly bending over backwards to try to adapt to the Japanese market. "Just like the car makers, they think Japanese consumers should adapt their ways to the goods," complains one manager at a large retail store which has just started selling foreign products.

Foreign manufacturers have paid little attention to the specific needs of Japanese consumers. "Domestic makers are more sensitive to consumers' needs," says Mr Nishida.

For example, Japanese homemakers like to keep their raw fish separate from their meat and are fussy about over-chilling the vegetables. Japanese manufacturers accept these preferences and make refrigerators with several compartments.

In any event, the majority of Japanese homes are still far too small for foreign products and retailers report that more than a few over-optimistic buyers have had to give up their brand new American refrigerator because there just was no way it would go through the kitchen door.

Appeals for calm follow death of Belfast boy

By Michael Cassell and Our Belfast Correspondent

POLITICIANS in Northern Ireland yesterday appealed for calm following the death of a 15-year-old schoolboy, apparently involved in a shooting incident with police, in the run-up to the 20th anniversary of British troops being deployed in the province.

With security forces already on full alert for a possible upsurge in terrorist attacks, Mr Peter Brooke, the new Northern Ireland Secretary, called for common sense to prevail in what he said would be an inevitably tense period.

The death of Seamus Duffy, who died in a Belfast hospital following clashes between police and youths on Tuesday night, was met with anger in nationalist areas of Belfast, the Northern Ireland capital, and the incident will provide an important test of the authorities' ability to prevent an upsurge of violence over the next few days.

There was despondency in London over the latest death, given the particularly sensitive political atmosphere in which it occurred and the apparent involvement of the Royal Ulster Constabulary, the local police force.

The RUC said an autopsy would establish the cause of death but it was believed the boy "may have been struck by a plastic baton round fired by the RUC." A senior officer will be conducting an investigation into the circumstances.

If police involvement is proved, the youth will be the 17th person to be killed by a plastic bullet since they were introduced in Ulster and his death brought renewed calls for the weapon to be banned.

Mr Brendan Duffy, the boy's father, demanded a full disclosure of the facts surrounding the incident and called for the officer who fired the fatal shot to be charged.

Mr Gerry Adams, president of Sinn Fein – the pro-republican party and political wing of the IRA – dismissed the police investigation as "lacking credibility" and accused the security forces of deliberately provoking nationalists into confrontation.

Mr Brooke said he regretted the need to use plastic bullets and added: "They are only used as a last resort and in very particular circumstances."

The RUC said plastic bullets were fired only after they had come under sustained attack.

Sinn Fein has called for nationalists to remain calm and not get involved in confrontations with police.

The Government of the Irish Republic expressed "deep concern" at the death. An official said Dublin was requesting a report on the incident.

UK port bans import of toxic waste

By John Hunt, Environment Correspondent, in London

A British port said last night that it would no longer handle imports of hazardous waste as Greenpeace, the international environmental pressure group, claimed victory after a Russian ship was refused permission to unload a Canadian consignment of polychlorinated biphenyls.

After Greenpeace mounted its campaign, Mr John McNab, chief executive of the Tilbury Docks in Essex, announced a ban on the unloading of the cargo.

The management said the decision was taken because of concern for the environment "and for our own workforce and the local community."

"We have decided that we won't be handling this sort of PCB cargo at all in future."

Last night the vessel was still at the dockside with the PCBs still on board.

Today it is likely to return to Montreal with the consignment.

At dawn yesterday the ship moved up the River Thames with police launches in attendance and Greenpeace activists in rubber dinghies alongside.

"It is crazy for Britain to take foreign waste like this. It ought to be banned immediately," said Mr Tim Birch, Greenpeace toxics campaigner.

The PCBs were destined for a Manchester company which specialises in decommissioning electrical equipment.

The entry of the cargo had been approved by the Manchester Waste Disposal Authority.

The only fault in the documentation was that the port of entry was given as Liverpool, but the ship had to transfer to Tilbury because of the dock strike.

"We are licensed to receive this material and could have dealt with it perfectly safely," said Mr John Martin, managing director of the Manchester company.

"It is very distressing. From our point of view it was a routine job."

The action of the environmentalists has provoked a clash with Britain's waste disposal industry because the shipment had gone through all the pre-notification procedures laid down under an EC directive.

There is evidence that PCBs, which are used in transformers and other electrical equipment, could cause cancer and nervous illnesses.

Next week Greenpeace will be opposing the landing of the first of a series of PCB consignments from Canada to be brought to Liverpool by Rechem, the specialist hazardous waste handler, for incineration elsewhere.

Rechem has no connection with yesterday's rejected consignment.

Last night, the Mersey Docks and Harbour Board said the company had agreed to refuse to handle any more cargoes of PCBs.

The move came after it was disclosed that more than 100 containers of PCBs have been unloaded at Liverpool this year.

Rechem said last night that it was one of the few in the world acknowledged to be able to dispose of PCBs safely.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	29	84	Dubrovnik	S	27	81	Malta	S	30	86	Rhodes	S	32	90
Algiers	S	34	93	Edinburgh	F	20	68	Manchester	R	19	66	Rio de J'o	C	23	74
Amsterdam	S	23	73	Faro	S	29	84	Manila	R	28	82	Rome	F	29	84
Athens	S	31	88	Florence	C	27	81	Melbourne	S	14	57	Salzburg	S	21	70
Bahrain	S	36	97	Frankfurt	F	21	70	Mexico City	C	24	75	San Francisco	S	13	55
Bangkok	F	33	91	Funchal	F	24	75	Miami	F	27	81	Seoul	F	30	86
Barcelona	S	27	81	Geneva	F	23	73	Milan	S	28	82	Singapore	-	-	-
Beirut		-	-	Gibraltar	F	29	84	Montreal	S	15	59	Stockholm	F	22	72
Belfast	R	16	61	Glasgow	F	20	68	Moscow	S	22	72	Strasbourg	F	23	73
Belgrade	S	26	79	Guernsey	F	20	68	Munich	F	21	70	Sydney	S	17	63
Berlin	F	21	70	Helsinki	F	20	68	Nairobi	-	-	-	Taipei	F	34	93
Biarritz	S	27	81	H. Kong	F	32	90	Naples	F	30	86	Tangier	F	35	95
Bombay	F	29	84	Innsbruck	R	19	66	Nassau		-	-	Tel Aviv	S	31	88
Bordeaux	S	27	81	Inverness	R	17	63	New Delhi	F	34	93	Tenerife	S	28	82
Brussels	S	22	72	Islamabad	F	35	95	New York	S	18	64	Tokyo	S	31	88
Budapest	R	19	66	Istanbul	F	25	77	Nice	S	27	81	Toronto	C	14	57
B. Aires	F	21	69	Jakarta		-	-	Nicosia	S	28	82	Tunis	S	36	97
Cairo	S	34	93	Jersey	S	22	72	Oporto	F	19	66	Valencia	F	31	88
Cape Town	R	15	59	Jo'burg	-	-	-	Oslo	C	19	66	Venice	F	21	70
Caracas	C	26	79	Lima	C	19	66	Paris	S	24	75	Vienna	S	25	77
Casablanca	F	29	84	Lisbon	S	26	79	Peking	S	33	91	Warsaw	C	19	66
Chicago	F	16	61	London	F	24	75	Prague	F	21	70	Washington	S	17	63
Cologne	S	23	73	Los Angeles	C	17	63	Reykjavik	C	12	54	Zurich	F	21	70
Copenhagen	C	17	63	Luxembourg	F	21	70								
Corfu	S	30	86	Madrid	S	32	90								
Dallas	-	-	-	Majorca	S	31	88								
Dublin	R	14	57	Malaga	C	33	91								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Suicide attack on Israelis

Continued from Page 1

affair. While there are hopes that Hizbollah and its allies might be susceptible to a negotiated deal, elements among them are bound to prefer a violent response to Israel's action.

Israel took Sheikh Obeid to try to force the release of three Israeli servicemen missing in Lebanon and insists they must be included in any hostage deal.

It said casualties would have been worse if vehicles in the patrol had not been travelling deliberately far apart as a precaution against just such an attack. In October, eight Israelis were killed in south Lebanon in a suicide attack, which have been the gruesome hallmark of Lebanese Shia groups since they killed more than 250 US marines and diplomats in attacks in 1983.

At the White House, Mr Bush said: "I hope I am open-minded enough to talk and to exercise every diplomatic channel I can to free these Americans."

Tallinn strike over voting law

Continued from Page 1

only recourse will be to more drastic action, including the setting up of an independent Soviet of People's Deputies.

Mr Yuri Rudyak, one of the leaders of the ethnic Russian movement in Estonia (Interdvizhenie) said yesterday: "If measures are not taken to break the system, we will take power, just like the revolution of 1917."

However, they appear to have had little impact against growing Estonian nationalism.

THE LEX COLUMN

The last of the easy years

If there was ever any doubt about the cyclical nature of UK corporate earnings in the 1980s, the latest Bank of England Quarterly should dispel it.

Its account of corporate 1988 is full of records and superlatives: the highest real rate of return for more than 20 years; investment representing its biggest ever share of domestic demand; the biggest rise in dividend payout ever recorded; and at the tail end of the year – for those who believe the cycle has been abolished – the largest increase in stocks of the decade.

Balance sheet gearing is meanwhile back to levels last seen in the 1970s and 1989 looks like being the second year running of financial deficit for the corporate sector as a whole.

The last single years for such deficits were 1974 and 1979, and both times the economy slumped the following year. But by contrast, the Bank says, reasonable growth is expected this year and inflation is much lower now than it was then. And if the corporate sector were really feeling the financial pinch, it would not be engaged in such an orgy of takeovers for cash.

The relaxed conclusion is apparently borne out by the optimism of the equity market. But there is a circular element here. The market is being pushed up above all by those same takeovers; and it is not clear how far the fashion for industry consolidation, like the fashion for leverage, is based on economic reality.

Ultramar

The market just cannot get Ultramar right. Having badly under-estimated the company at the time of the Wilmington deal, it now expects such earnings miracles that yesterday's 175 per cent increase in operating profits was deemed disappointing.

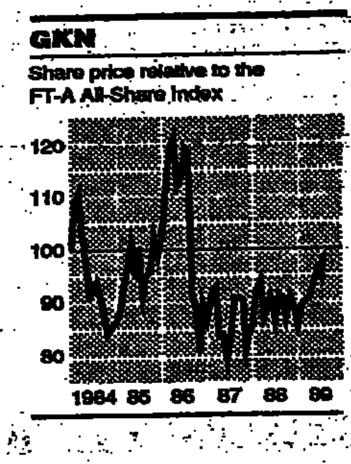
Everybody had become carried away with gasoline demand in the US and had overlooked the fact that the bumper margins of the past year have quietly been creating new sources of supply.

Against any realistic yardstick, however, yesterday's figures show how far Ultramar has come. It has a good upstream/downstream balance, and a management that no longer deserves to be considered among the less competent in the sector. As a result, the once bid-inflated share price stands up on its own, even now that the bidders – real and imaginary – have gone away.

But if the 12p fall in the shares was due to a more careful appraisal of the Franklin field, it was fair enough.

While the discovery of something big will help Ultramar establish itself as a serious North Sea operator, Franklin is too difficult and distant a project to be worth more than a penny or two on the share price, which is after all meant to be more about earnings than assets.

GKN
Share price relative to the FT-A All-Share Index



Groupe Victoire

There are a number of ways of interpreting the motives behind the bid by Compagnie Financière de Suez for Compagnie Industrielle, owner of Victoire, the French insurer. But a disinterested observer must wonder whether any genuine industrial purpose is served by this kind of financial manoeuvring.

On one level, the bid is a long-overdue attempt to resolve by force the old rivalry between Suez and Industrielle.

The position, with Industrielle owning 48 per cent of Victoire and Suez 34 per cent, was inherently unstable; and Victoire's agreement to buy the German insurer Colonia has only precipitated the conflict.

Looked at a different way, if Suez genuinely wishes to create a pan-European financial services conglomerate, owning Victoire/Colonia would do the job at a stroke.

The worry is the apparent absence of a hard-headed commercial rationale for the empire-building in Victoire's bid for Colonia and in Suez's move on Industrielle.

It is difficult to see that large scale cross-border mergers in European insurance and financial services will produce any benefits in terms of improved efficiency and economies of scale. The one constructive thing Suez has done is a good turn for the owners of the 30 per cent of Victoire in public hands. The highest Victoire's shares reached this year was FFr1192; Suez is already saying it will pay FFr1800.

GKN

Slowly, the market is losing its aversion to motor component stocks, and yesterday's results from GKN suggest this to be wise. Cynics may argue that a 27 per cent increase in earnings at this point in the car cycle is not the achievement it seems; but the breakdown of GKN's numbers show the defence and industrial bits doing almost as well as car parts. Moreover, when the fall in European car production finally comes, GKN will be in rather better shape than once thought. It was always uncertain whether it could get back the lost margins in Continental Europe, but the large advance in profits there suggests it can. Even after the near 30 per cent rise since April, the shares are still on an unremarkable multiple of under 9. But while something more might be justified, it is a bit much to expect a re-rating just as the days of above average earnings growth are coming to an end.

Electra

A striking aspect of Electra's new £550m unquoted equity fund is that its managers, veterans of the LBO movement, seem to be moving on. As students of the corporate rather than the investment cycle, they are now looking for management buy-ins, joint ventures, infrastructure projects and – rather ominously – corporate rescues. Save perhaps in Continental Europe, it seems, fat pickings from LBOs are a thing of the past.

Though the new structure is intricate, yesterday's 7 per cent rise in the Electra share price seems broadly justified. The investment trust will no longer invest directly in unquoted equity in the UK or the Continent, but will pass £200m to the new fund for the purpose. This could be restrictive, and certainly changes the nature of the original investment. But in compensation, shareholders will get a 10 per cent share in profits from the whole of the new fund over a stated level, plus a half share in the new management company, which when floated could be worth something over £30m. In the meantime, the managers will acquire a powerful equity incentive, which for a fund of the type seems appropriate enough.

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday August 10 1989

INSIDE

Comex's new chief looks for excitement

"I have an open and liberal style in new ideas and I like to do exciting and fun things," says Mr Arnold Staloff, who becomes president of New York's Commodity Exchange on August 20. He needs determination and stamina too, as he faces the tough task of rebuilding the exchange's image amid heated competition and the fall-out from the FBI probe into futures fraud in Chicago and the New York trading inquiry. Page 30

Stockbroker with a mission

Mark Greenwood (left), a native of Manchester and the first foreign stockbroker to set up in Bangkok, displays a useful touch of missionary zeal. Thailand may have its exotic side, but often it is also noisy, polluted and uncomfortably hot to work in. Yet Mr Greenwood is happy. His vision of the future is of a Thai stock market 10 times its current size by the end of the century, making it one of the biggest exchanges in Asia. Page 42

Amro banks its fees

Amsterdam-Rotterdam Bank, the second largest commercial bank in the Netherlands, boosted its earnings by 24 per cent in the first half of this year. This was due solely to commission income, which surged on underwriting fees for large equity offerings such as DSM, the Dutch chemicals company, and DAF, the Anglo-Dutch truck maker. But Mr Roelof Nelissen, chairman, refused to talk about Amro's alliance with Générale Bank or comment on a suggestion made three weeks ago that the alliance would completely unravel "unless something spectacular happens". Page 21

Aerosol friends of the earth

A canister that uses gas-driven pistons to propel its contents, or one that exploits the elasticity of natural rubber to provide a spray, may be the way ahead in the search for environment-friendly sprays to replace ozone-eating chlorofluorocarbons. Alternatively, people are returning to the simple hand-driven pump that Grandma knew and which has long been used to squirt window cleaner and liquid soaps, as an environmentally friendly way to deliver anything from windscreen ice remover to hair spray. Page 29

Big changes at Electra

The UK's Electra Investment Trust, the specialist investor in unquoted companies, is being reconstructed through the addition of a £550m fund which will concentrate on European investment opportunities. And Electra's managers are to form a new investment management company which will be floated off in four to five years. Page 26

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				Pechelbronn	1197	+	79
Rises				Union Immob	630	+	10
BMW	620	+	16.5	**Falls**			
Viag	355	+	19	Accor	761	–	8
Falls				Club Med	645	–	16
Hapag Lloyd	321	–	7	Sanofi	984	–	14
Leifheit	562	–	18	**TOKYO (Yen)**			
Nixdorf	364.2	–	5.3	**Rises**			
Verein-West	455	–	10	Nichia Steel	1610	+	140
NEW YORK ($)				Tokyo Duble	1300	+	150
Rises				Towa Sankiden	1160	+	130
AMR	76⅝	+	2⅞	Utoku Express	1360	+	130
Cons.Freight	33½	+	1⅛	**Falls**			
GTECH	15⅞	+	⅝	Nippon Gas	2080	–	150
Michaels Strs	9⅛	+	⅞	Shin-Kobel	1240	–	110
Paramount	64⅞	+	5⅛				
UAL	237	+	18⅛				
PARIS (FFr)							
Rises							
Euralrance	1928	+	175				

New York prices at 12.30.

LONDON (Pence)				Rossbaugh	698	+	24
Rises				Scot. & New.	385	+	9
ASDA Grp.	207½	+	6½	Slough Est.	369	+	10
BAT Inds.	865	+	18	VG Instr.	414	+	31
Cable & Wire	559	+	25	Whitbread A	365	+	10
Desoutter Bros	683	+	142	**Falls**			
Eurotherm Int.	347	+	10	BTR	485	–	7
GKN	458	+	13	Coats	183	–	13
Greycoat	545	+	13	Ladbroke	326	–	5
Hewden Stuart	750	+	15	Parkway	172	–	53
Hillsdown	306	+	7	Porvair	85	–	25
ICI	1313	+	35	Ultramar	325	–	12
Ocean Trans.	382	+	17				
Pearl Grp.	604	+	9				
Pilkington	256	+	11				

Pernod agrees sale of bottling unit to Coke

By George Graham in Paris

PERNOD Ricard, the French drinks group, has announced final agreement on the sale of its Société Parisienne de Boissons Gazeuses (SPBG) unit to Coca-Cola of the US, putting an end to 18 months of conflict between the two companies over the marketing of Coke in France.

The sale of the Coke bottling unit took effect on Tuesday, after Coca-Cola and Pernod had announced in May that they had reached the basis of a settlement of the dispute. This had begun when the US company said it wanted to distribute and bottle Coke products in France itself.

Even yesterday, however, there was a difference of opinion on the price to be paid. Coca-Cola said it was paying FFr890m ($139m), but Pernod claimed that the total sum was more than FFr1bn including an extra profit-related payment as well as a share of the first half's results.

The price is below the market's early estimate of the compensation Pernod Ricard might receive for the loss of the Coca-Cola concession, though SPBG's book value is only FFr55m.

Some analysts last year forecast compensation as high as FFr2bn, but this year forecasts have averaged FFr1bn.

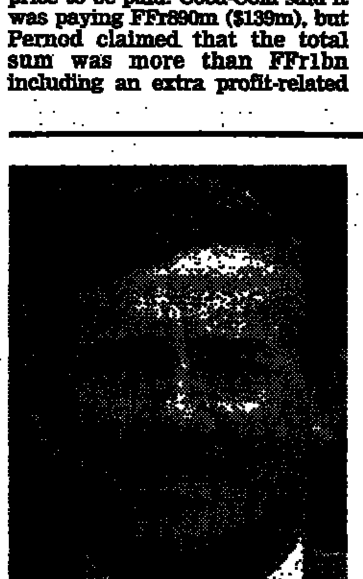
SPBG distributes Coca-Cola and other brands in six regions of France: Lille, Lyon, Marseille, Nancy, Paris and Rennes. It contributed over 40 per cent of the volume in Pernod Ricard's non-alcoholic division, and with earnings of around FFr140m it accounted for 10 per cent of group pre-tax profits.

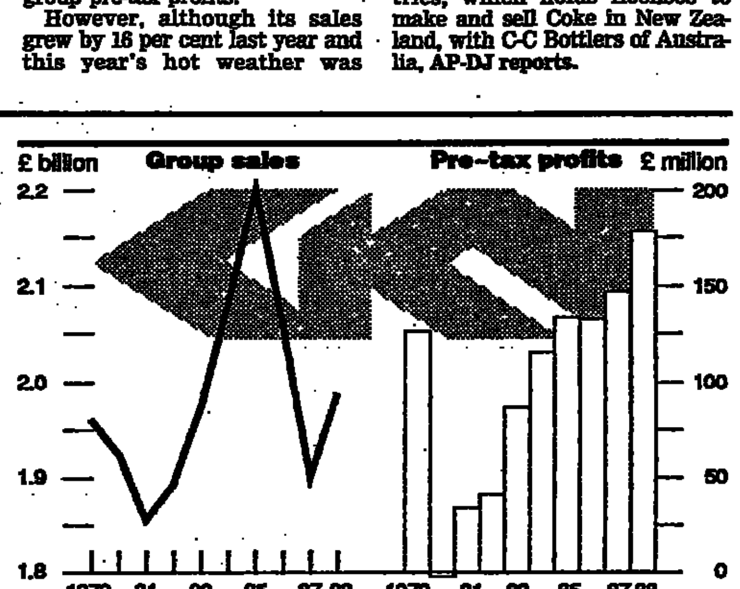
However, although its sales grew by 16 per cent last year and this year's hot weather was expected to bring another record year, SPBG had already lost three regional concessions back to Coca-Cola as they fell due. Perhaps more importantly, Coca-Cola itself kept its rights over the fast-growing canned cola market.

Losing the Coca-Cola franchise will throw Pernod Ricard back onto its alcoholic drinks base, renewing the questions about the group's limited success in developing its non-alcoholic products.

The base is no longer limited to the profitable but almost unexportable aniseed-flavoured pastis brands, since the £285m ($462m) acquisition last year of Irish Distillers, the Irish whiskies group.

Meanwhile Coca-Cola has agreed to acquire Oasis Industries, which holds licenses to make and sell Coke in New Zealand, with C-C Bottlers of Australia, AP-DJ reports.





GKN chairman and chief executive David Lees is trying to spread the company both geographically and by sector

Reshaping helps GKN recover its balance

John Griffiths looks at the UK group's development into a more geographically diversified organisation

In obeying the jungle dictum of adapt to survive, GKN is like a corporate leopard which has not only changed its spots but discovered spacious new habitats through which to hunt.

The 31 per cent surge in interim profits it dropped in front of well-pleased shareholders yesterday provide further evidence that the metamorphosis which has occurred – indeed, is still going on – within the UK-headquartered conglomerate is an increasingly successful one.

GKN said its half-year pre-tax profits had surged from £84m ($134m) to £110m and underscored its confidence in the future by raising its dividend from 6.25p to 7.5p.

Just nine years ago GKN, one of the proudest names in British engineering, shocked its shareholders by announcing a loss of more than £1m for 1980. The transformation since has gone far beyond its profit and loss account, however.

The company's old dependence on sectors like heavy engineering, steel and fastenings has gone, to be replaced by increasingly sophisticated automotive components, defence and industrial services activities.

The changes at GKN, part of the UK's industrial bedrock since its formation in 1902, have parallels in some of the other industrial "majors" of the Midlands, like components groups Lucas Industries and BBA.

Collectively, the restructuring and accelerating profitability of these large groups, capable of funding the extensive research and development now being required of them by a rapidly globalising motor industry, hold out the potential for a further, albeit selective, revival of a UK industrial heartland devastated by the recession of the early 1980s.

As GKN director Mr John Southgate observed to the Financial Times earlier this week – as the company celebrated winning back its position in the "Footsie" index for the UK's top 100 companies – labour relations problems for the group and others like it have also become a thing of the past, contributing to the UK once again becoming a cost-effective base within which to manufacture.

Toyota, for one, which is setting up a 200,000-cars-a-year plant in Derby, has reached the same conclusion, and is already sounding out Lucas, GKN and others on the potential for long-term components supplies.

It is indicative of the sweeping change which has taken place at GKN that half the companies which made up the group at the end of the 1970s have gone, to be replaced by new ones, particularly in the industrial services arena.

The alterations in composition have proceeded in parallel with no less strategic geographic change.

GKN was one of the first of the handful of large UK Midlands engineering groups to react to the huge burden imposed on their competitiveness by soaring UK inflation and the oil-induced overvaluation of the sterling exchange rate at the beginning of the decade.

Starting in the late 1970s, GKN began supplying more local markets from newly established plants overseas.

Now only 40 per cent of sales are in the UK. Continental Europe accounts for 35 per cent of sales and North America 20 per cent, with the rest of the world, and notably Australia, making up the balance.

Having distributed some eggs widely among geographic baskets, chairman and chief executive Mr David Lees and his board are trying to ensure that others are well distributed in sector terms in order to even out cyclical factors.

Even a sustained downturn in the world automotive industry to which it is a major supplier, which would have been seen as a potentially life threatening event a few years ago, would no longer be counted by Mr Lees as an automatic catastrophe should one materialise tomorrow.

Mr Lees, now in his second year at the helm of GKN, would readily acknowledge that such a downturn, signs of which have appeared this year in the US, would be very inconvenient if severe or prolonged.

But even ignoring the fact that so far the West European car market, the world's largest, shows no sign of weakening, the strategic changes in group composition have left automotive business accounting for only just over half of group turnover.

The two significant recent additions to the corporate portfolio, defence and industrial services, are both flourishing and – so far at least – providing GKN with a three-legged stool on which to support growth and profits.

"Today GKN has a broader strategic base than at any time in its history," declares Mr Southgate.

Yesterday's results reflected a first-time contribution from Westland, the helicopter company in which GKN took a 22 per cent stake last autumn, and which may yet become the subject of a full takeover at a cost of around £150m. Were that to happen, GKN overnight would have achieved the broad objective of Mr Lees to have about half of GKN's turnover in automotive business and the other half shared roughly equally between defence – the group's GKN Defence division makes the Warrior and Saxon military personnel carriers – and industrial services.

Not everything has gone well. Earlier this month GKN demonstrated its readiness to lop off under-performing limbs by disposing of its long-standing vehicle parts distribution business, GKN Autoparts.

This year's new car market downturn in the US is already serving to justify GKN's "swings and roundabouts approach".

Total sales are down by about 7 per cent. Sales by Ford, GKN's biggest single customer for its main product, constant velocity joints for front-wheel-drive cars, are down by 4 per cent. But GKN is also the major supplier to Japanese car "transplants" in the US – thanks to longstanding licensing agreements and joint ventures with the Japanese in some cases dating back 25 years – and their US sales are *up* by 7 per cent.

The constant velocity joint – without which front-wheel-drive simply cannot work – remains the mainstay of the automotive components business, backed up by associated driveline products like propellor shafts and viscous couplings. But GKN remains dismissive of suggestions that the front-wheel-drive "revolution" has run out of steam and that the rapid growth phase for CVJs has come to an end. It estimates that in the US, for example, only 62 per cent of vehicles currently use front-wheel-drive and that this will grow to 72 per cent by 1993.

It also professes to be undismayed by the prospect of an "invasion" of Europe by Japanese component suppliers following in the wake of car production by Toyota, Nissan and Honda. Dismissing as "wishful thinking" suggestions by some other UK component groups that the Japanese car companies will source largely from European suppliers instead, GKN executives say they believe major new opportunities will arise instead for joint ventures – and that these should be firmly grasped.

GKN is currently earning enthusiastic reviews from stock analysts, but a serious motor industry downturn would still provide a real test of whether such enthusiasm is justified.

Lex, Page 18; Results, Page 27

Copco to pay £89m for UK's Desoutter

By Edward Sussman in London and Robert Taylor in Stockholm

ATLAS COPCO, the Swedish mining, construction and industrial equipment manufacturer, disclosed yesterday that it was prepared to pay £88.7m ($143.7m) for Desoutter Brothers (Holdings), a leading London-based maker of power tools.

The news caused Desoutter shares to jump 142p to 683p on the London stock market. The Desoutter board is recommending the offer.

Copco's 700p-per-share offer values Desoutter on a historic price:earnings ratio of 19.1, well in excess of even the most optimistic of analysts' expectations when it was disclosed last week that a bid was in the offing.

The resulting merger would make Copco the fourth biggest manufacturer of power tools in the world. Three quarters of Desoutter's sales are generated outside the UK.

Copco has the full backing of the Desoutter family, which controls the UK company, and its board. It has received irrevocable commitments to accept the offer from holders of 50.7 per cent of Desoutter's equity. The offer is contingent on Copco acquiring 90 per cent of the equity, or an "acceptable" lower percentage.

Mr Roger Desoutter, chairman, said the company had been seeking to affiliate with a larger group to avoid a hostile takeover. "We were aware that the family shareholding might erode and fragment and we did not want to get into that position," he said.

There were discussions with other suitors, but Copco won the day largely because of its high bid and agreement to allow Desoutter to function autonomously. Mr Desoutter said he saw no conflict with the Desoutter brand name continuing to compete with Copco power tools. Copco has a similar arrangement with Chicago Pneumatic, a US company it bought in the summer of 1987.

Mr Michael Treschow, president of Copco's industrial technique division, said the acquisition was motivated partly by the group's desire to expand within the European Community ahead of the single market coming into force in 1992. It was also in line with its strategy to increase market share, particularly in power tools.

Copco reported net profits of SKr1.16bn ($184m) in 1988, a 46 per cent advance over 1987, with further growth of 36 per cent in the first quarter of 1989.

Hoylake names three trustees for BAT's US insurance unit

By Nikki Tait, Nick Bunker and Lionel Barber

HOYLAKE, the Goldsmith consortium bid vehicle which is making a £13.5bn ($21.9bn) offer for BAT Industries of the UK, yesterday kept up the pace in its campaign by unveiling the names of three high-powered trustees who would temporarily supervise Farmers Group, BAT's US insurance subsidiary, if the bid is successful.

Part of the Hoylake plan involves installing an interim trust arrangement for Farmers, pending the sale of this subsidiary to a new owner. The proposed arrangement forms a key part of the bidder's attempt to gain certain approvals from the US state insurance commission. These are essential if the bid is to stand any chance of success.

Hoylake has argued that the voting trust arrangement would ensure that Farmers and its policyholders would not be adversely affected by Hoylake's ownership of BAT, ahead of the proposed Farmers' disposal. But it is not clear that insurance regulators in the US will accept this proposal.

The three trustees put forward by Hoylake are Mr Daniel Evans, a former US senator; Ms Shirley Hufstedler, a lawyer and former federal appeals court judge in California; and Mr David Sherwood, an ex-president of the Prudential Insurance Company of America.

By persuading Mr Sherwood in particular to act as a trustee, Hoylake has probably added to its credibility with insurance commissioners. As an executive for 24 years until 1970 with the San Francisco-based Fireman's Fund insurance companies, Mr Sherwood should know his way around the Californian regulatory environment. As president of the New York-based Prudential Insurance Company until he retired in 1984, he was also one of the most senior executives of the largest US life insurer.

Ms Hufstedler, who is 63, is a highly-respected lawyer, who served in 1968-79 as a judge on the US federal appeal court for the Ninth Circuit, which covers California and the Pacific North-west, and then as US Secretary of Education in 1979-81.

Mr Evans is a former Republican US Senator and governor of Washington state, who retired last year from the Senate, saying he was dissatisfied with life in the upper legislative chamber.

The trio will be paid but Hoylake denies that "vast sums of money" are involved. On an annual basis the remuneration would be less than £10,000.

Yesterday Hoylake also released copies of a letter sent to the various state insurance commissioners. In it, Hoylake says it would be prepared to enter a "so-called standstill agreement with you that would confirm our commitment to exercise no control over Farmers or its companies; set up the voting trust as soon as we are legally capable of doing so: and preserve the status quo until the voting trust is set up."

It added that further US "Form A" filings – part of the standard process of getting regulatory clearances – are likely to be made shortly.

BAT, on the other hand, is sceptical of acceptability of the voting trust idea, maintaining that this has been turned down whenever it has been suggested to the authorities in California where Farmers has a major presence. Its comment on the trustees announced was that the "issue is not the people but the principle."

And the tobacco-based conglomerate countered with an announcement last night that it had been granted the right to intervene in the federal legal action being brought by Hoylake against the insurance comissioners in Idaho. Although still trying to win regulatory approval on the one hand, Hoylake has also argued that the commissioners' ability to effectively stymie its bid is unconstitutional.

Idaho is the first state in which BAT has been granted the right to intervene in the legal action.

In the UK, BAT and its advisers were still combing through the lengthy Hoylake documents yesterday. Talks with the UK Takeover Panel over the offer's value remained unresolved.

Coloroll unit drops buy-out

THE MANAGEMENT of MCD, the carpet distribution subsidiary of UK home products group Coloroll, has been forced to scrap its plans for a £90m ($146m) buy-out because sentiment on the London Stock Exchange has swung against management buy-outs.

Mr Philip Green, chief executive of Coloroll, said it still expected to raise between £80m and £100m by selling MCD within a month. He added that it was likely that the management team would still be involved in the deal.

A sharp slowdown in consumer spending on home products in the UK has contributed to the problems of other British home products retailers recently involved in management buy-outs. Their difficulties have made London's financial institutions more cautious about investing in buy-outs.

Amax pays $60.6m to Chevron in buy-back

By Kenneth Gooding, Mining Correspondent

AMAX, the US natural resources group, has paid $60.6m cash to the Chevron oil company as part of a deal dating back to May last year.

At that time Amax bought 15.2m of its own shares – 15.5 per cent *of the issued capital* – from Chevron for $349m to end an often acrimonious, 13-year association.

As part of the deal Chevron had a one-time right during the two-year period ending *May 19 1990, to receive an* additonal payment per share, on a dollar-for-dollar basis, if the Amax share price was above $23, subject to a maximum of $28 a share.

Chevron exercised its right *at close of business on August* 7 – when the Amax price was $27 and only five days after Amax announced a $2.4bn agreed offer for Falconbridge, the Canadian group which is the world's second-largest *nickel producer.*

The timing of Chevron's decision could be a little embarrassing for Amax because initial outside financing of the Falconbridge deal will involve taking on $2bn of *new debt.*

This will increase Amax's gearing from the current 32 per cent to 59 per cent. Moody's and Standard and Poor's, the main US credit rating companies, have *announced that they might* downgrade Amax's debt ratings if this change takes place.

UAL shares surge in feverish trade

By James Buchan in New York

THE VALUE of United Airlines surged on Wall Street yesterday as directors of the besieged company sat down to consider an offer from Mr Marvin Davis, a Los Angeles businessman, that is thought to price the company at more than $5bn.

Stock in UAL, the Chicago-based parent company of the second largest US airline, rose 8 per cent in feverish trading to $238½, up $19¼ by mid-morning.

The rise was caused by new reports that Mr Davis had told the board he would offer at least $240 a UAL share, or $5.2bn for the company.

Earlier this week it was thought that Mr Davis, a rich former oilman and sometime Hollywood studio owner, was offering $225 a share or about $4.3bn.

The flurry of speculation, which has now driven UAL stock to a price double its level just three months ago, passed into other airline stocks and sent the Dow Jones transportation average to a new record.

UAL said yesterday at noon that the board meeting could last all afternoon and into the evening and it would have no comment till it was over.

It would not comment on the report of a $240 per share offer.

Wall Street speculators are hoping that the Davis bid will set off an auction for United as fierce as that for Northwest Airlines in the early summer.

A Davis offer of $2.7bn for NWA, Northwest's parent, in March led to a battle royal for control and NWA was finally sold to a group led by Mr Al Checchi, another Los Angeles *investor, for nearly $1bn* more.

One possibility being aired on Wall Street is that UAL's management, which under Mr *Stephen Wolf has seen the* airline's profitability improve sharply in the past two years, will themselves offer to buy the company from its stockholders.

*Meanwhile Mr Thomas Plas*kett, chairman of Pan Am, which was an underbidder for NWA, was reported as saying he would consider a friendly offer for UAL.

However, Mr Plaskett believed that a hostile bid would be too costly and unlikely to succeed.

Collapse in rail income slows Canadian Pacific

By David Owen in Toronto

CANADIAN Pacific, the *diversified conglomerate* which has recently been the subject of widespread takeover speculation, yesterday reported a sharp downturn in quarterly and half-yearly earnings.

The deterioration was principally *due to a collapse in rail*-related income. In the six months to June 30, CP Rail suffered a year-on-year profit decline of over 77 per cent.

In all, CP's net second-quarter income fell to C$136.3m *(US$116.4m), or 43 cents a* share, compared with C$230.4m, or 76 cents, in the year-earlier period.

The year-ago figure included a gain of C$14m related to discontinued businesses. Consolidated *revenue tumbled* by 14 per cent to C$2.8bn against C$3.26bn last year.

For the first six months, *earnings reached just* C$270.4m, or 85 cents, on revenues of C$5.49bn, against C$414.3m, or C$1.37, including a C$21.1m extraordinary gain, on revenues of C$6.22bn.

The Montreal-based group *attributed its rail unit's poor* performance to continuing traffic weakness, particularly in the *drought*-ravaged grain sector. In all, CP Rail reported a 17 per cent reduction in overall freight volumes in the first six *months. Reduced sulphur*, container and lumber traffic also contributed to the decline.

First-half earnings from PanCanadian Petroleum were essentially unchanged from last year's levels, at C$55.8m. *Meanwhile, the contribution of* Fording Coal rose strongly to C$16.1m from C$9.3m.

Newmont Mining unhurt by decline in gold price

By James Buchan

NEWMONT Mining, the heavily-indebted US gold and coal producer, partly owned by Hanson of the UK, reported modest net profits for the second quarter, in spite of lower gold prices and a strike at its coal operations.

Newmont, which has gold interests in Nevada and Australia and owns half of Peabody Coal, said it had second-quarter earnings of $7.2m, or 11 cents a share, against $19.4m, or 29 cents, *in the year-earlier quarter.*

This year's figure was after charges of $8.6m, mostly to account for the costs of an abortive plan to recapitalise its Peabody holding.

For the first six months, net *income* was $16.6m, or 25 cents a share, against $133.8m, or $1.99.

Last year's figure included net income of $111.1m, or $1.65 a share, from discontinued operations and the sale of assets.

In the second quarter, Newmont's gold interests enjoyed $35.1m in pre-tax income, compared with $35m in the period last year.

Gold prices fell on average from $446 an ounce to $398 an ounce, but the company sharply increased sales by 76 per cent. Earnings from Newmont's half-share in Peabody rose from $5.4m to $7.1m in the quarter.

The company suffered wildcat strikes in June and July in support of striking miners at Pittston, a specialised mining company, thereby losing an estimated $5m sales a day.

Listing set to put $22bn value on Kepco

By Maggie Ford in Seoul

SHARES IN Kepco, the state-owned South Korean electric utility, are to be listed on the Korea Stock Exchange today in a partial privatisation which could value the company at as much as $22bn.

The Government is to sell 21 per cent of its holding, a total of 127.8m shares. Low-income South Koreans and employees of the company have received 93.5m of the shares at a discount of 30 per cent against the offer price of Won13,000 ($19½).

These shares cannot be sold for three years as part of the Government's plan to widen public participation in the stock market. The issue was heavily oversubscribed.

The remaining 32.5m shares have been sold to individuals on a first come, first served basis at the full offer price and trading in these shares is unrestricted.

The shares are expected to open today when trading starts at around W25,000, which would value the company at about $22.5bn. Easily the largest company on the stock exchange, the Kepco listing is expected to boost the market's capitalisation to more than $120bn.

The Government has moved to avoid the problems which arose during its first attempt at privatisation last year. When shares were issued in *Pohang Iron and Steel (Posco)*, the country's dominant steelmaker, a manipulation of trading sent the share price rocketing and subsequently depressed the whole stock market for some time.

Concern over the market's recent lacklustre performance has provoked however the postponement of several privatisations planned for this year including that of the Korea Telecommunications Authority.

The overriding need to control inflationary pressure through limiting money supply has restricted supplies of funds to the institutions, and the market remains at much the same level of six months ago.

Nevertheless, hints of a more flexible policy towards foreign investors and anticipation of the Kepco issue has improved investor sentiment in recent days.

The Ministry of Finance signalled this week that from next month foreign investors who hold convertible Eurobonds issued by South Korean *companies would be allowed* to convert the bonds into stocks and trade them among themselves offshore.

Five South Korean companies have issued convertibles, which currently trade at strong premiums and brokers say that if they were converted, the shares would also attract premiums. Last month the Government authorised conversion of the bonds on the exchange, which remains closed to foreigners except through two funds and several unit trusts.

Initial limited opening of the market to foreigners is expected in 1992 with preferential access given to bondholders a year earlier. Around 10 to 15 per cent of market capitalisation is likely to be opened to foreign investors as a first step. A financial transaction system using real *names and an integrated tax* system will be implemented first.

Shui On chairman launches offer to take group private

By Michael Marray in Hong Kong

SHUI ON, a Hong Kong property group, is to be taken private under a plan unveiled yesterday by Mr Vincent Lo, its chairman and controlling shareholder, with the help of property magnate Mr Cheng Yu-Tung's New World Development.

The offer puts a price tag of around HK$1.9bn (US$243.6m) on the company. A new vehicle 70 per cent owned by Mr Lo and 30 per cent by New World is to offer HK$2.40 per share.

Since Mr Lo currently owns 73.3 per cent of Shui On he will be slightly reducing his holding in the company, with New World making an investment of HK$570m for its new stake.

The offer comes at a time when share prices on the Hong Kong stock market are down to the levels of nine months ago, following a collapse in the wake of the crackdown in China. Mr Lo said the weakness in its share price meant that Shui On was not enjoying the benefits of being a public company.

During 1988 there was a spate of moves by controlling shareholders to delist companies, a trend which fizzled out as the market rallied at the start of the year. A revival of similar moves is now anticipated.

The offer price is pitched at a 35 per cent premium to Monday's *closing price* of HK$1.78, when it gained 11 cents before dealing was suspended.

Shui On's main asset is the Shui On centre, the sale of which was announced last November in a HK$2.5bn deal which was later aborted when Zhongshan International Investors, the China-backed buyer, failed to meet its payment deadlines.

Shui On also owns two hotels in Toronto, which it acquired for US$483.2m last year.

There will be no parallel offer made to owners of shares in Shui On Contractors, a 75 per cent held subsidiary which was spun off towards the end of last year.

Citicorp in talks to join HK property project

By Michael Marray

CITICORP has emerged as a prospective partner in the development of a prime Hong Kong site recently acquired by Great Eagle for HK$2.7bn (US$192.9m). The US banking group is also discussing taking an equity stake in the project as well as buying part of one of the planned towers to use as its new corporate headquarters in the colony.

Citicorp said yesterday that it is negotiating with Great Eagle, the property group controlled by Mr Lo Ka-Shui – one of the Lo family whose other members control Shui On and Regal Hotels – to purchase and lease up to 400,000 sq ft of the total 1.6m sq ft of space in the twin-tower office block, scheduled for completion four years from now.

The US bank is also looking at acquiring a 5 per cent equity stake in the project, which is costing around HK$5.5bn.

Mr Lo said Great Eagle was offering to bring in Citicorp as an equity partner at development cost price and was selling floor space at a "friendship price" in order to attract a prestige anchor tenant. Naming rights on the 50 storey taller tower are part of the deal.

Great Eagle is seeking to trim its stake in the project to just under 60 per cent.

A 10 per cent interest has been offered to the Robert Kuok group, 5 per cent to Wingtai Exporters, 10 per cent to Manhattan Garments and 7 per cent to Sung Foo Kee, which is related to Great Eagle.

A Japanese group thought to include C. Itoh has also been offered a 5 per cent stake.

Mexican group bids for Anchor Glass of US

By Our Financial Staff

A BID worth $280m for Anchor Glass Container of the US is being launched by Vitro, a Mexican counterpart.

Vitro said it currently owns 1.43m Anchor shares, or 10.3 per cent, and is to make a tender offer of $20 per share for the remainder through an indirect subsidiary called THR. The company is seeking a meeting with Anchor Glass to discuss the transaction.

The Monterrey-based Vitro said will be providing $135m for the offer, while commitments for all needed financing had been obtained from an affiliate of Donaldson, Lufkin and Jenrette, the New York firm which is advising Vitro on the bid along with Lazard Frères. Anchor Glass was spun off in a 1984 leveraged buy-out from Anchor Hocking, and was floated two years later.

It ranks as the second largest maker of glass containers in the US with a market share put at about a quarter – it has nearly $1bn in annual sales.

However, it fell into a small loss last year amid disrupted production and price discounting. Anchor largely supplies the food and beverage industries.

Subject to the success of its offer for Anchor Glass, Vitro said it had also agreed to acquire the privately owned Latchford Glass of California for undisclosed terms.

Destocking by customers hits Lawson Mardon

By Maggie Urry

LAWSON MARDON, the Canadian-based packaging and printing group with substantial European interests, reported a setback in second quarter results yesterday.

Mr Lawrence Tapp, the group's president, blamed customers' destocking and the weakness of sterling, which "more than offset improved results from several of the company's key operations and investments."

Net earnings fell 12.3 per cent to C$7.7m (US$6.58m) on sales 10.3 per cent lower at C$254.2m. This was a less severe fall than in the first quarter, however. Earnings for the half-year were 27.2 per cent lower at C$13.1m, on sales down 11.6 per cent at C$505.2m.

Earnings per share for the first half are C$0.46, a decline of 25.8 per cent. A quarterly dividend of 10 cents was declared – the same as last year.

Mr Tapp said the North American packaging business and the European flexible packaging division had improved trading margins and earnings in the half-year.

Impetus Packaging, a joint venture formed last autumn with MB Group – now part of CMB, the European packaging company – to make plastic bottles "contributed a substantial profit to Lawson Mardon."

Gencor buys 30.7% of Alusaf

By Jim Jones in Johannesburg

GENCOR, South Africa's second largest mining house, has acquired a 30.7 per cent interest in the state-controlled *Alusaf aluminium smelter for* an effective R270m ($100.8m).

The acquisition is a precursor to Alusaf's complete privatisation and, local analysts believe, to an eventual divestment by Alusuisse, the largest *minority shareholder.*

Alusaf was established in 1967 to provide South Africa's total aluminium metal needs. At that stage the country's electricity was among the cheapest in the world and the smelter was established at the Richards Bay harbour to process alumina, an aluminium ore concentrate, imported from Australia.

Alumina is still imported as South Africa has no indigenous bauxite resources, but the threat of sanctions have persuaded the company to source *alumina from various coun*tries and to buy through traders.

At present Alusaf produces about 170,000 tonnes of aluminium a year of which it exports about 35 per cent. For the latest year to June turnover was just short of R800m and the taxed profit just over R120m.

Alusuisse provided the smelter technology and retains an indirect 23 per cent interest in the company. The Swiss *group has placed its shares* with some of those acquired by Gencor in a new holding company which, in its turn, has fractionally less than half of Alusaf's equity.

Gencor has a first right to buy Alusuisse's shareholding should the Swiss company decide to sell.

Alusaf was originally financed by the state-owned Industrial Development Corporation (IDC) which has now sold half of its interest to Gencor for R63m cash and the remainder in shares in an unnamed subsidiary of the mining house. The remaining 30.7 per cent portion of the IDC's shareholding is eventually to be sold to private investors and listed on the Johannesburg Stock Exchange.

Earlier this week Gencor completed an almost R1.5bn rights issue needed to finance its participation in several new mining, energy and metals developments.

Firm prices and weak rand lift Impala

By Jim Jones

IMPALA PLATINUM, the world's second largest platinum mining company, lifted sales by almost a third in the year to June largely because of higher metal prices and the weakening of the South African rand.

Turnover of Impala, which is controlled by the mining house Gencor, rose to R2.09bn ($780m) from R1.59bn and profit before tax was lifted to R1.04bn from R610m. Production figures are not disclosed but the company's output of platinum group metals is expected to increase when the new Karee mine is commissioned late this year.

In addition Impala has offered to buy 55 per cent of Messina, which owns platinum rights in the eastern Transvaal.

In May Impala won its case against the Bafokeng tribe in the Bophuthatswana black homeland.

The tribesmen had hoped to terminate an earlier agreement which gave Impala mining rights. The tribe has appealed.

Net earnings increased to 604 cents a share from 319 cents and the year's dividend has been lifted to 250 cents from 180 cents.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1988							
1st qtr.	107.2	110.8	31.4	117.0	116.7	2,4[illegible]	249.5
2nd qtr	108.3	112.4	32.1	118.4	122.7	2,3[illegible]	256.2
3rd qtr.	110.5	115.9	32.7	120.2	126.5	2,229	244.3
4th qtr.	110.4	117.0	32.7	120.9	138.4	2,101	244.9
August	110.3	115.7	32.8	120.4	125.7	2,226	242.5
September	110.9	116.5	32.8	119.5	124.9	2,192	249.5
October	110.3	116.6	32.5	121.0	130.5	2,155	251.2
November	110.9	117.1	32.7	120.7	145.2	2,105	246.2
December	110.1	117.5	32.7	121.1	161.5	2,037	236.3
1989							
1st qtr.	108.9	117.7	35.9	121.4	125.4	1,962	226.7
January	108.6	118.0	34.6	119.5	124.3	1,988	229.2
February	108.7	117.6	34.9	122.1	128.4	1,949	228.1
March	108.9	117.5	36.9	122.8	127.4	1,917	222.9
April	109.5	117.5	37.9	120.9	131.6	1,858	222.1
May	107.9	118.9	38.6	124.6	133.4	1,835	218.2
June				121.6	135.6	1,809	226.4

OUTPUT- By market sector: consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Houng. starts*
1988							
1st qtr.	109.6	106.2	107.7	107.9	117.8	103.7	19.6
2nd qtr	111.6	108.9	108.6	110.1	120.3	100.9	22.3
3rd qtr	113.5	113.9	108.0	114.8	123.7	102.1	20.4
4th qtr	113.6	116.9	105.6	116.6	124.3	101.6	18.4
August	113.9	113.9	107.9	115.0	126.0	102.6	20.5
Sept.	114.2	115.5	108.9	116.0	128.0	101.8	20.1
October	112.8	116.6	107.9	117.0	128.0	101.8	19.6
November	114.3	117.2	107.2	117.8	120.0	102.0	21.4
December	113.8	116.9	106.1	116.6	125.0	100.0	14.2
1989							
1st qtr.	113.6	116.0	103.9	116.2	131.9	99.7	17.5
January	113.2	115.1	104.6	117.0	136.0	98.0	18.5
February	113.6	116.5	103.9	116.0	129.6	100.6	18.4
March	114.0	116.0	104.0	115.0	130.0	99.0	15.5
April	114.5	115.5	105.5	115.6	131.0	101.0	15.3
May	114.3	116.7	101.4	116.0	133.0	102.0	18.7
June							17.8

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1988							
1st qtr.	108.2	118.6	-4,020	-3,091	+739	97.9	44.64
2nd qtr	111.4	127.7	-4,538	-2,744	+815	98.7	48.52
3rd qtr	108.3	132.7	-5,866	-3,436	+440	98.3	50.45
4th qtr.	108.6	135.0	-5,304	-5,463	+340	98.6	51.69
September	114.1	131.9	-1,473	-730	+184	98.1	50.48
October	103.7	139.6	-2,058	-2,302	+67	97.3	50.65
November	107.1	131.6	-1,886	-1,612	+132	97.6	51.04
December	108.1	133.9	-1,783	-1,469	+141	96.7	51.69
1989							
1st qtr.	110.8	140.7	-5,859	-4,832	+64	100.4	50.46
2nd qtr.	111.5	144.4	-5,765	-4,565	+165	100.7	43.67
January	115.0	145.4	-2,061	-1,659	+105	100.4	51.71
February	104.1	138.2	-2,186	-1,837	-15	100.2	51.98
March	113.2	138.3	-1,677	-1,335	+112	100.5	50.46
April	108.4	143.5	-2,155	-1,755	+83	100.9	47.28
May	110.5	141.6	-1,724	-1,324	-16	100.7	46.09
June	115.3	147.9	-1,887	-1,487	+98	100.4	43.67
July							43.63

FINANCIAL-Money supply M0, M1 and M3 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Cnsmer. credit† £m	Base rate %
1988							
2nd qtr	6.6	18.6	20.4	+15,349	4,173	+1,105	9.50
3rd qtr.	7.7	17.9	22.7	+15,740	3,162	+1,082	11.50
4th qtr.	7.7	14.3	20.4	+13,370	3,165	+873	13.00
August	7.4	18.8	20.6	+3,372	1,176	+471	12.00
September	8.5	17.3	22.7	+5,690	621	+278	12.00
October	7.7	13.7	19.8	+4,241	1,598	+186	12.00
November	7.7	11.7	20.6	+3,767	766	+392	13.00
December	7.7	14.5	20.5	+5,192	818	+296	13.00
1989							
1st qtr.	6.7	13.9	21.3	+14,000	2,601	+816	13.00
2nd qtr.	5.9	13.7	22.1	+12,780	1,736		14.00
January	7.2	11.5	21.3	+6,625	794	+228	13.00
February	6.6	13.6	22.2	+2,299	1,064	+251	13.00
March	6.2	13.9	21.3	+5,145	813	+330	13.00
April	5.7	10.1	20.7	+4,578	1,175	+313	13.00
May	6.2	10.6	21.6	+3,947	712	+500	14.00
June	5.9	13.7	22.1	+4,260	-152	+182	14.00
July							14.00

INFLATION-Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100)

	Earnings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods	Reuters* cmdty.	Sterling
1988							
1st qtr.	122.6	96.9	111.9	103.7	103.6	1,747	76.5
2nd qtr	124.5	97.8	112.6	106.2	104.5	1,817	77.6
3rd qtr.	127.0	98.5	113.9	108.4	104.7	1,862	75.9
4th qtr.	131.5	100.1	115.2	109.9	105.7	1,887	77.5
September	127.6	98.2	114.3	108.4	104.8	1,873	75.5
October	129.6	98.9	114.9	109.5	104.9	1,874	75.5
November	130.7	99.3	115.2	110.0	105.7	1,866	77.1
December	134.2	102.6	115.4	110.3	106.5	1,921	79.0
1989							
1st qtr.	134.6	102.5	116.9	111.7	107.5	1,974	97.1
2nd qtr.		104.4	118.2	114.9	110.2	2,018	93.6
January	133.2	104.6	116.4	111.0	107.4	1,989	97.9
February	133.9	101.9	116.8	111.8	107.7	1,954	97.4
March	134.9	102.4	117.2	112.3	108.3	1,980	95.9
April	135.7	103.9	117.5	114.3	109.0	2,018	95.5
May	136.4	104.5	118.2	115.0	110.3	2,010	94.3
June		104.9	118.5	115.4	110.7	2,027	91.1
July						1,949	89.2

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

INTERNATIONAL COMPANIES AND FINANCE

Chip pact offers sunny future for Philips

By Alan Cane

PHILIPS, the Netherlands-based electronics group and Europe's largest semiconductor manufacturer, has staked its claim to a leading position in the consumer goods market of the future by announcing its choice of a computer "brain" for generations of intelligent products.

It said its components division had secured a licence from Sun Microsystems of Mountain View, California, for the design and manufacture of 32-bit microprocessor chips based on Sun's proprietary Sparc design. These chips, among the most powerful yet designed, handle information 32 bits at a time, the same as a conventional minicomputer.

The new chips will be built into a broad range of Philips' products, including brown goods such as interactive video systems, direct broadcast satellite equipment and compact disc players. They will make possible dramatic improvements in quality, performance and capability.

Mr E.L. Hentley, director of Philips Components integrated circuits division in the UK, said that while 8-bit chips were standard in consumer products, today's requirements were already straining the limits of 16-bit chips. Philips had to move to 32-bit microprocessors to stay in contention.

There are suggestions it had little choice of partner since Siemens had already licensed a design from Mips of the US and Motorola has a similar agreement with Thomson-CSF of France.

Philips also announced that it was joining the board of Sparc International, a consortium of manufacturers dedicated to establishing Sparc as the world standard for Risc (reduced instruction set computing) microprocessors, which exploit a simple design philosophy to give remarkable power.

Sun, an aggressive, ebullient workstation manufacturer whose seemingly unstoppable growth has been checked for the first time by poor results this year, has been trying for some time to find a European company to license the Sparc technology.

Victoire chief prepares response to Suez offers

By George Graham in Paris

MR Jean-Marc Vernes, chairman of Victoire, the French insurance group, and of its key shareholder, Compagnie Industrielle, said yesterday he was preparing his riposte to the takeover bids launched on Tuesday by Suez, the investment group which has been his partner in both companies.

Mr Vernes said he would make no statement until Suez's two bids, which value Compagnie Industrielle at FFr19.5bn ($3.1bn) and Victoire at FFr28.7bn, have been officially registered by the French stock exchange.

He said, however, that he planned to build a French majority, responding indirectly to reports that he intended to bring Ferruzzi, the Italian foods conglomerate controlled by Mr Raul Gardini, into Victoire's capital.

Ferruzzi, which already owns La Fondiaria, an Italian insurer, controls Beghin-Say, the French sugar company of which Mr Vernes is also chairman.

Raul Gardini

Paris bankers say it was Mr Vernes's efforts to bring Ferruzzi into Victoire's capital, diluting Suez's stake, that prompted the privatised investment group to launch France's two largest-ever takeover bids.

Ferruzzi is also allied, through cross-shareholdings, with the Paribas investment banking group, Suez's eternal rival. Mr Vernes, meanwhile, is also believed to have support from other European insurers.

Suez's shares fell steeply in early trading yesterday, dipping to FFr345.50 after reaching a peak of FFr382 last week.

The price soon picked up, however, as analysts estimated that even if Suez were to lose the takeover battle it would, in the process, register spectacular capital gains on its 18 per cent stake in Compagnie Industrielle and its 30 per cent direct stake in Victoire.

Marginal rise at Novo-Nordisk

By Hilary Barnes in Copenhagen

NOVO-NORDISK, the Danish pharmaceuticals group created at the beginning of the year by the merger of Novo Industri and Nordisk Gentofte, increased first-half sales by 17 per cent to DKr3.74bn ($509.5m), although pre-tax profits only advanced 1 per cent to DKr76.6m.

The group maintained an earlier forecast of an improvement in pre-tax profits for the year of between 7 and 9 per cent.

It announced the signing of an agreement with Smith, Kline & French, part of Smith-Kline Beecham, to exploit the discovery by Novo-Nordisk of a treatment for strokes and other disorders of the central nervous system.

A management official said that although the discovery of the so-called calcium blockers was regarded as a significant breakthrough in the treatment of strokes, trials were still in the pre-clinical stage. It would be the mid-1990s at the earliest before patients could benefit from the new drug.

First-half sales by Novo's bio-industrial group, which manufactures industrial enzymes, increased by 20 per cent to DKr1.09bn and sales by the health products group, which includes the insulin operations of the two companies, climbed 21 per cent to DKr2.47m.

Higher raw material costs and the cost of investments in production, marketing and product development held back earnings growth.

The group announced it was moving ahead with the integration of Novo and Nordisk's sales and marketing organisations.

COMPANY NEWS IN BRIEF

WOOLWORTH, the US retailer, lifted second-quarter net income by 12 per cent to $48m or 74 cents a share from $43m or 68 cents a year earlier. Profits for the first six months ended July 29 advanced to $84m or $1.30 from $78m or $1.22.

Revenues in the second quarter rose to $1.98bn from $1.85bn, taking the six-month total to $3.86bn from $3.57bn.

The company's general merchandising operating profit climbed to $48m from $42m in the quarter while revenues edged up 1.2 per cent. Specialty store operating profit rose to $66m from $59m as revenues advanced by 18 per cent.

■ Aon, the Chicago-based composite insurer formerly known as Combined International, announced a 19.5 per cent rise in second-quarter net income to $61.5m or 94 cents, compared with $51.5m or 81 cents a year earlier.

Six-month earnings were $115.2m or $1.76, against $98.8m or $1.54.

■ Bayerische Vereinsbank, the Munich-based banking group, said group partial operating profit fell to DM406m ($214.8m) in the first half of 1989 from DM413m. Parent company partial operating profit slipped to DM255.9m from DM266.7m.

The parent company balance sheet total was DM99.3bn, against DM98.1bn a year earlier, while the group total edged up to DM164.7bn from DM162.6bn.

BMW posts 14% gain in first interim result

By Andrew Fisher in Frankfurt

BMW, the West German maker of luxury cars and motor cycles, came out with its first-ever half-year profit figures yesterday, showing a 14.4 per cent gain to DM199m ($105m) in parent company earnings as a result of a continued strong performance in domestic and export markets.

The decision of the Munich-based company to lift the earnings veil at the halfway stage is a further step in the gradual process towards more financial disclosure in Germany.

However, BMW has not yet gone the whole way; it will only produce full group figures (including foreign subsidiaries) for the first time for its total 1989 results.

BMW's car output will pass the 500,000 mark this year after plant modernisation and more flexible working methods. Last year's car production was 5 per cent higher at 484,000 units, followed in the first six months of 1989 by a 19.5 per cent increase to 272,000 units.

BMW said nearly half its car output in the first half consisted of its more expensive 5- and 7-series models. These cars, introduced in the past three years, have given BMW a considerable sales lift and put pressure on rival Daimler-Benz to present new up-market models.

The earnings improvement at the halfway stage was not as strong as the growth in turnover, which was up by 19 per cent to DM11bn at the parent company. For the whole group the rise was 21 per cent to DM13.5bn.

BMW said the advance in production and sales in the first half, with new registrations 16 per cent higher at 285,000 cars, would not continue at the same pace in the second six months.

Earnings for the full year would be "satisfactory" in view of the group's stronger competitive position, even with the expected slowdown of the world automobile market. Sales were strong in Europe and Japan, and held steady in the difficult US market.

Commission income lifts Amro 24% at six months

By Laura Raun in Amsterdam

AMSTERDAM-ROTTERDAM Bank, the second largest commercial bank in the Netherlands, boosted first-half earnings by 24 per cent, due solely to commission income.

Profits climbed to Fl 339m ($159m) from Fl 273m on a 31 per cent increase in commission income. Interest income was flat while other income was 19 per cent lower.

Per-share earnings rose a more modest 8.4 per cent to Fl 5.68 from Fl 5.24 due to more shares outstanding, largely a result of the alliance forged with Belgium's Générale Bank last year.

Mr Roelof Nelissen, chairman of Amro, forecast yesterday that net income and per-share earnings would rise for all of 1989. He added that the number of shares would expand more slowly this year, allowing the rise in aggregate and per-share profits to be more closely aligned.

Commission income surged on underwriting fees for large equity offerings such as DSM, the Dutch chemicals company, and DAF, the Anglo-Dutch truck maker, as well as on payments clearing and insurance brokering. For the first time Massonaud Fontenay, a 50 per cent owned French broker, was consolidated on Amro's books, also contributing to the increase.

Interest income was virtually unchanged due to tighter interest rate margins blamed on an inverse yield curve, firmer short-term rates and lower-margin assets. Growth in foreign lending was more buoyant than domestic credit.

Total income increased 5.5 per cent to Fl 2.1bn in the period while expenses were up 4 per cent to Fl 1.3bn. Loan-loss reserves were unchanged at Fl 300m. Mr Nelissen noted that Dutch banks had gradually provided for bad loans rather than taking "shocking steps," as some UK and US banks had done.

The balance sheet total expanded 7 per cent to Fl 171bn as of June 30, from Fl 160bn a year earlier.

Amro's alliance with Générale Bank, which is aimed at an eventual merger, has spawned growing reports of troubled negotiations, although Mr Nelissen refused to comment yesterday. Earlier a Dutch union spokesman suggested the alliance would completely unravel "unless something spectacular happens."

Earlier this year Baron Paul-Emmanuel Janssen, chairman of Générale Bank, opined that the merger had a 50 per cent chance of success, which was negatively interpreted by observers. The engaged couple scurried to deny problems but have subsequently remained silent.

Meanwhile, Amro is benefiting as never before from securities underwriting although Mr Nelissen refused to talk about the bank's lead management role in the second DSM offering in September.

He also declined to comment on Amro's possibly scuppered role as lead manager in the planned bourse flotation of TV 10, an aspiring commercial television channel in the Netherlands.

TV 10 owners reportedly will decide on September 1 whether to take it public in a flotation which could raise an estimated Fl 60m.

ABB surges ahead to $390m

By William Dullforce in Geneva

ASEA BROWN BOVERI, the electrical engineering group, yesterday disclosed a 70 per cent advance to $390m in interim pre-tax profits compared with $229m for the first half in 1988.

Announcing the preliminary figures, Mr Percy Barnevik, ABB's chief executive, foresaw a continued strong performance. He said the extensive restructuring undertaken since the formation of the group by a merger in January 1988 had started to affect results substantially.

A more comprehensive first-half report will be issued on August 30.

Figures released yesterday show a 9 per cent increase in revenues to $9.4bn against the year-earlier period. Most importantly, incoming orders climbed 20 per cent to $11.15bn, reflecting to some extent the generally strong world economy. Earnings after financial items advanced from $260m to $395m. Non-recurring expenses totalled $5m against $31m.

Percy Barnevik: sees more strong performances

ABB's pre-tax earnings moved from $129m to $178m in the third and final quarters of 1988 and from $163m to $227m in the first and second periods this year.

Brown Boveri did not issue interim reports.

For 1988 as a whole ABB showed $536m in pre-tax profits on a turnover of $17.8bn. Swiss analysts, who had been forecasting a 1989 pre-tax figure in the $700m to $750m range, said yesterday that they were raising their sights.

ABB's 1988 consolidated net profit came out at $409m – or $386m after deducting minority interests.

Highlights of the 1989 first half have been the completion of deals involving a joint venture in the US with Westinghouse in power transmission and distribution equipment and the setting up of joint companies with Italy's Finmeccanica in power generators, boilers, turbines and transformers.

ABB also bought 40 per cent of British Rail Engineering.

INTERNATIONAL APPOINTMENTS

New chairman for Philips India will help to bring company back to profits

By R.C. Murthy in Bombay

PHILIPS INDIA, part of the Dutch Philips giant and India's largest electronics and electrical group, is to have a new chairman.

Mr Jan Bergvelt will relinquish this position at the end of August in favour of Mr D.N. Ghosh, who retired two months ago as executive chairman of State Bank of India.

Mr Bergvelt will continue to hold his other top posts of managing director and chief executive at Philips India, which had sales of more than Rs4bn (£151m) last year. The executive chairman has been nominated by the Dutch parent for the past 60 years.

The mandate for the new team is to bring Philips India, which ran up a Rs200m loss last year, back into the black. Philips was unable to match the low-cost audio and video products locally made with Japanese technology.

The first task of the new team is to cut costs, and all avenues are to be explored to achieve the turnaround. These will include closure of uneconomic businesses and an attractive voluntary retirement scheme.

The Dutch company had considered several options, and at one stage planned to sell a large part of the equity it holds in Indian operations to a local business group.

Philips India is the market leader in lamps and lighting and a major electronics components producer. But it has not been able to expand or set up new businesses as government permission has been denied.

Philips had to enter into partnership with a local entrepreneur to make colour television picture tubes, although it would have liked its Indian affiliate to make them.

Mr Ghosh, who held several important positions in the Government, is expected to be of help in planning future growth strategy for the company.

Credit Suisse makes changes to its Japanese operation

CREDIT SUISSE, one of the big three Swiss commercial banks, has made organisational changes within Japan, effective from August 1.

It has established Crédit Suisse Japan Office, responsible for planning and co-ordinating the activities of the bank's operating units in the country.

Senior vice president Mr Paul R. Hofer has been chosen to head CSJO while, of the three operating units:

Mr M. Hatano has been elected president of Crédit Suisse Trust and Banking, succeeding Mr S. Yoshino, who has retired from the post after holding it for three years. Mr Yoshino will have new duties within CSJO, namely to contact governmental authorities.

Mr A. Kagawa has become vice president and branch manager of Crédit Suisse, Tokyo Branch, replacing Mr Paul Hofer.

At Crédit Suisse Investment Advisory, Mr H. Kisu remains president.

★ ★ ★

THE Montreal-based Alcan Aluminium, the world's largest aluminium producer, announced that Mr Peter Pearse, 57, has become a director of the company.

He has been Professor of Economics and Forestry at the University of British Columbia since 1962. He has served on two Royal Commissions – the Forest Resources of British Columbia and the Pacific Fisheries Policy – and has chaired federal inquiries on Canada's Freshwater Fisheries and on Federal Water Policy.

Other public positions Mr Pearse has held in Canada include membership on the Economic Council of Canada and the Canadian Consumer Council. He has also served on the OECD's Working Group on Natural Resources Management and the UN's Advisory Committee on Marine Resources. Last year, he was named to the Order of Canada.

★ ★ ★

FIRST CITY Bancorporation of Texas, the state's third largest banking group which was rescued a year ago by Mr Robert Abboud, his business associates and the US Government through a $1.5bn recapitalisation, has appointed Mr Gregory Fager as executive vice president and chief economist.

Mr Fager will oversee the research activities at First City, including the analysis and forecasting of economic trends in Texas, the US in general, and the rest of the world.

He was until recently director of comparative country analysis at The Institute of International Finance in Washington. The Institute is an association of commercial banks, including First City, set up to monitor the international debt crisis.

★ ★ ★

BANK OF Ireland announced that Mr David M. Kennedy has been made a deputy governor of the bank from the start of this month.

Mr Kennedy, a director of the bank since 1984, is chairman of the National Petroleum Corporation and a former chief executive of Aer Lingus.

★ ★ ★

AER LINGUS, the Irish national airline, has appointed Mr Paul D'Alton as assistant chief executive – finance.

He was a general manager of the Insurance Corporation of Ireland.

★ ★ ★

BANK OF America appointed Ms Janet McLendon vice president in its project and export finance section.

She was formerly with Samuel Montagu in the corporate finance division.

National Bank of Greece names governor

A NEW governor has been appointed for the National Bank of Greece, the country's largest commercial bank.

Professor Dimitrios Germides, 51, replaces former governor Mr Stelios Panagopoulos, who resigned last month following the change of government.

Formerly serving with the Organisation for Economic Co-operation and Development, Professor Germides held the position of Director of Economic Studies and Research at the Development Centre, and before that Director of Planning in International Banking and Foreign Investments.

He has also served as an adviser to the Bred Bank, Credit Agricole, Cariplo and well-known stockbroking firms. He is currently a Commissioner of the International Chamber of Commerce (Paris).

★ ★ ★

THE POST of deputy secretary-general at the World Meteorological Organisation, in Geneva, is to be filled by Mr David Axford, currently director of services at the UK's Meteorological Office.

Mr Axford will take up his new post at this United Nations agency on October 3 and will be on a two-year contract in the first instance. He will be one of the directing team whose duties include liaising and negotiating with other agencies of the United Nations, such as the UN Environment Programme, UN Development Programme and the World Health Organisation.

He will take a specific interest in technical aspects of the World Weather Watch, World Climate Programme and the Technical Co-operation Programme.

★ ★ ★

AMERICAN EXPRESS has promoted Mr Tommaso Zanzotto to president of American Express Travel Related Services (TRS) International.

Mr Zanzotto now has responsibility for all TRS businesses (card, travellers cheques and travel) outside North America.

His previous post was president of Travel and Travel Management Services, USA.

INTERNATIONAL CAPITAL MARKETS

GMAC Australia raises A$60m in four-year issue

By Andrew Freeman

ACTIVITY remained at extremely low levels on the Eurobond markets yesterday, with traders reporting limited secondary market turnover amid an absence of investors. New issues were scarce. Syndicate managers said that arbitrage possibilities had almost entirely disappeared, leaving room only for borrowers requiring fixed-rate funding.

Only one borrower could be found to tap the main public market on such terms. Deutsche Bank Capital Management was the lead manager of an A$60m four-year unswapped issue for GMAC Australia. The bonds were offered with an attractive 15⅛ per cent coupon designed to attract retail demand.

The lead manager was quoting the paper at less 1.60 bid, comfortably inside full underwriting commissions of 1⅞ per cent. New issue traders said the bonds were fairly priced and that the issue would sell into Europe.

In Switzerland, the main feature in an otherwise dull market was a SFr80m deal with equity warrants for Tasaki Shinju, the leading Japanese pearl and jewellery company, which performed strongly as its final terms were fixed.

According to Banco del Gottardo, the lead manager, the steep rise in the price from less 1⅞ bid to less ⅝ bid, was due initially to strong demand for the ex-warrant bonds which carry a Sumitomo Bank guarantee and offer an attractive yield of around 6¼ per cent.

There was improved independent demand for the warrants, helped by the better performance of the Tokyo market.

Final terms were set by Swiss Bank Corporation, the lead manager, on the SFr90m convertible deal for Daishinku. The coupon remained at ½ per cent, while the yield-to-put was cut to 3.83 per cent. The bonds were trading well outside co-managers fees of 1⅝ per cent at around less 3¼ bid.

In Germany, final terms were fixed on the Prima Meat Packers DM150m deal with equity warrants. The coupon was cut to 1⅝ per cent. Commerzbank, the lead manager, was quoting the bonds at 100¼ bid, a gain of a point from Tuesday's close amid increased demand for the warrants.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
AUSTRALIAN DOLLARS						
GMAC Australia(a)◆	60	15⅛	101½	1993	1⅞/1⅛	Deutsche Bk Cap.Markets
US DOLLARS						
Vitamin 'A'(b)‡◆	37	20bp	100.10	1993	10/5bp	Nippon Credit Int.
YEN						
Sparekassen SDS(c)◆	5bn	6	101⅜	1992	1⅜/⅞	Bank of Tokyo Cap. Mkts
D-MARKS						
Prima Meat Packers(d)♦◆	150	1⅝	100	1994	2¼/1⅜	Commerzbank
SWISS FRANCS						
Daishinku Corp.(e)★★§◆	90	½	100	1994	1⅝	SBC

★★Private placement. ♦With equity warrants. §Convertible. ◆Final terms. ‡Floating rate notes. a) Non-callable. b) 20bp over 6-month Libor. c) Redemption linked to Japanese Govt. bond futures contract. d) Coupon cut by ⅛% from indication. e) Coupon fixed as indicated. Yield to put 3.83% (indicated 4⅛%).

NYSE attacks SEC proposal

A PLAN by the Securities and Exchange Commission to establish regulations for so-called proprietary trading systems should be changed to allow national securities exchanges to sponsor such systems, the NYSE said in a letter to the SEC, AP-DJ reports from Washington.

Proprietary trading systems are electronic trading systems that operate outside the confines of traditional stock exchanges and the Nasdaq system. One such system that began operating earlier this year is RMJ Securities' trading system for OTC options written on US Treasury securities.

The rules are designed to increase the SEC's oversight of off-exchange systems by requiring their sponsors to submit regular reports to the commission.

The NYSE said the proposed rules represented a big improvement over the SEC's current method of regulation. However, it said a provision that would bar national securities exchanges from sponsoring proprietary trading systems would put the exchanges at a competitive disadvantage. It "would provide clear competitive advantages for trading innovations by broker-dealers and banks over those of national securities exchanges," the NYSE said.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on August 9

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
B.F.C.E. 7 92	150	96	96⅛	−0⅛	−1	8.67
B.F.C.E. 9¼ 95	150	102⅞	103⅜	+0⅛	−1⅛	8.57
Brit. Tel. Fin. 9⅛ 98	250	103⅝	104⅛	0	−1⅞	8.74
BP America 9¼ 99	250	†104⅜	105	0	−1¼	8.95
Canada 9 96	1000	103⅛	103⅝	0	−1⅞	8.29
Canadian Pac 10¼ 93	100	†103	103½	0	+0½	9.68
C.C.C.E 9¼ 95	300	102½	103	0	−1½	8.59
C.N.C.A 9⅜ 93	150	102⅛	102½	+0¼	−1¼	5.74
Credit National 8¾ 93	200	98¾	99¼	+0¼	−1¼	8.55
Credit National 7⅜ 92	100	96¾	97¼	0	−1⅛	8.64
Credit National 9½ 92	160	102	102⅜	0	−1½	8.72
Dai-Ichi Kan 9⅜ 92	150	101⅞	102⅛	+0⅛	−1⅛	8.80
Denmark 7¼ 92	500	96⅛	96⅝	0	−1¼	8.73
E.E.C. 7 91	100	96¾	97¼	+0⅛	−0¼	8.45
E.E.C. 7¼ 93	250	96⅛	96⅝	−0⅛	−1	8.44
E.E.C. 10 93	140	104	104⅜	−0⅛	−1¼	8.60
Eurofima 10⅛ 93	100	†104¾	105¼	0	−1½	8.47
Elec. De France 9 98	200	101⅞	102⅜	0	−1¾	8.62
Elec. De France 9½ 99	200	104⅝	105	−0⅛	−1¼	8.73
Finland 9 96	250	102	102¼	0	−1¾	8.56
Finn.Exp.Cd. 8½ 92	200	99⅝	99⅞	0	−1	8.63
Finn. Exp. Cd. 9⅜ 95	200	102⅞	103⅜	−0¼	−1⅝	8.69
Finn. Exp. Cred. 10⅝ 91	100	102⅝	103⅛	−0⅛	−0¼	8.82
Ford Motor Credit 8 91	250	†98⅜	98⅞	0	−0¾	8.89
Gen.Elec.Cap.Corp. 9 93	500	†101	101½	0	−1⅝	8.62
Gen.Elec.Cap.Crp. 10 1/2 91	300	102⅛	102⅝	0	−1	8.78
G.M.A.C. 9 96	300	100	100½	0	−1¾	8.95
Gen.Mtrs.Corp. 9¼ 92	200	100½	101⅛	0	−1¼	8.81
IBM Credit Corp. 8⅞ 91	250	100⅝	101⅛	0	−0¾	8.39
IBM Credit Corp. 9 92	250	101⅞	102⅜	+0⅛	−1	8.15
IBM Credit Corp. 9½ 92	250	102	102½	0	−1	8.43
IBM Credit Corp. 10 92	200	103⅜	103¾	+0⅛	−1⅛	8.43
Italy 9½ 95	1000	104	104⅜	0	−1⅝	8.60
Italy 9⅝ 99	1000	105⅜	105¾	−0⅛	−1¾	8.74
Japan Dev. Bank 10 96	200	106⅜	106⅞	0	−1⅝	8.65
L.T.C.B. of Japan 9¼ 92	200	100½	101⅛	0	−1½	8.95
Metropolis Tokyo 9½ 93	200	102⅜	102¾	+0⅛	−1⅜	8.59
Nippon Tel.&Tel. 9⅜ 98	250	103¾	104¼	0	−1⅝	8.72
Norway 8¾ 93	500	100⅝	101⅛	+0⅛	−1¼	8.43
Portugal 8¼ 91	300	†98½	99	0	−0½	9.06
Prudential Crp. 8¾ 94	125	100¼	100⅝	0	−1⅝	8.65
Sumitomo Bank 9⅝ 92	150	†101⅞	102⅜	+0¼	−1⅛	8.80
Sweden 7 91	250	96¾	97¼	−0⅛	−1⅛	8.56
Sweden 8¼ 96	200	100⅝	101⅛	0	−1⅝	8.55
Sweden 8½ 92	200	†99⅛	99⅝	0	−1	8.74
Toyota 9½ 91	200	101⅜	102	−0⅛	−0⅞	8.66
Victorian Rep 11⅝ 92	150	106¼	106¾	−0⅛	−1⅛	8.80
World Bank 7 92	300	†96⅝	97⅛	0	−1	8.42
World Bank 9 97	300	102⅛	102⅝	−0⅛	−1¼	8.58
World Bank 9 93	300	101⅝	102	0	−1¼	8.41
World Bank 9¼ 98	300	103½	103⅞	−0⅛	−1⅝	8.65
World Bank 9⅝ 99	500	105⅞	106⅛	−0⅛	−1¾	8.66
World Bank 9¾ 96	300	105⅝	106	0	−1½	8.55

Average price change... On day 0 on week −1⅝

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	101¼	101½	0	−0⅛	5.14
Canada 5⅝ 93	80	101⅝	101⅞	+0⅛	−0⅛	5.12
Eurofima 5 1995	20	98¾	99¼	0	0	5.20
E.I.B. 4⅞ 93	30	99⅛	99⅜	+0⅛	+0⅛	5.10
Ireland 5⅛ 93	30	99½	100	0	−0⅛	5.19
Norway 5⅛ 95	50	99⅞	100⅛	+0⅛	0	5.12
Sweden 4⅝ 93	50	98	98¼	0	−0¼	5.18
World Bank 5⅛ 98	10	98⅝	99⅛	+0¼	0	5.29
World Bank 7 94	20	107⅛	107⅝	+0⅛	0	5.19

Average price change... On day +0⅛ on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 11⅜ 95 £	100	99¼	99¾	+0⅛	−0¼	11.71
Aegon 7¼ 92 FL	100	102	102⅜	0	−0⅛	7.73
Alg. Bk. Ned. 5¾ 93 FL	200	95¾	96¼	0	+0½	7.03
Austria 7½ 94 ECU	100	96	96½	+0⅛	−0⅝	8.49
Bk.Nova Scot. 14⅜ 90 A$	75	95⅛	96⅛	+0⅛	−0¼	18.26
Barclays Aus. 13½ 91 A$	100	96¼	96¾	+0⅛	+0¼	15.42
Belgium 8⅛ 94 Ecu	150	97⅞	98⅜	+0⅛	−0¼	8.62
BP Capital 9⅜ 93 £	100	94½	95⅛	0	+0⅛	11.54
British Airways 10 98 £	100	93½	94⅛	−0⅛	+0¼	11.15
Comm.Bk.Aust. 12⅝ 93A$	100	†94¼	94¾	0	+0⅛	14.56
Cr.Local France 9¼ 92Ecu	100	101⅞	102⅜	+0¼	−0⅞	8.36
Dent. Bk.Aus. 13⅜ 93 A$	125	98	98⅜	0	+0¼	13.92
Deutsche Bk.Fin. 15 94 A$	100	103¼	103½	+0⅛	+0¼	13.95
Eastman Kodak 13 90 A$	100	96⅛	96½	0	+0¼	17.18
E.I.B. 7 96 LFr	100	96⅝	97⅜	−0⅜	−0⅜	7.56
E.I.B. 9 99 Ecu	150	102⅜	102⅞	+0¼	−0⅜	8.60
Eurofima 7⅝ 94 Ecu	100	97¼	97¾	+0⅛	0	8.30
Export Dv.Crp. 8¾ 92Ecu	100	100⅝	101⅛	+0⅛	0	8.35
Fed.Bus.Dv.Bk. 9¾ 92 C$	75	†98½	99	−0⅛	−2	10.25
Fed.Bus.Dv.Bk. 10½ 93C$	50	101	101½	0	−1¼	10.08
Ferr. Stato 7¾ 93 Ecu	100	96¾	97¼	+0⅛	−0½	8.69
Ford Cr.Can. 10¾ 93 C$	100	†100⅝	101⅛	−0⅛	−1½	10.39
Ford Cred.Can. 10⅞ 96C$	125	103¼	103½	−0¼	−1⅜	10.15
Ford Cred.Fund. 10¾ 93£	60	97⅛	97⅝	−0⅛	+0⅜	11.53
Ford Mtr.Cred. 7⅞ 93Ecu	100	97⅜	97⅞	+0¼	0	8.66
G.M.A.C.Canada 11 3/4 94C$	100	104⅜	104⅞	−0⅛	−1⅝	10.42
Heineken 7⅝ 94 FL	150	103⅛	103⅝	0	+0⅛	7.50
Hydro-Quebec 11 99 C$	400	104¾	105⅛	+0¼	−1⅛	10.13
Lloyds Bank 10¼ 98 £	150	94	94½	0	+0½	11.31
Lloyds Bank 11⅜ 98 £	100	97⅜	97⅞	+0⅛	+0½	11.78
Montreal Tst. 10¾ 93 C$	100	†100⅛	100⅝	−0⅛	−2⅛	10.61
Morgan Guar.Tst. 11 91 C$	150	†100	100½	0	−0¾	10.69
Nat. Aus. Bk. 14⅜ 94A$	100	99⅞	100⅜	−0⅛	+0¼	14.67
New Zealand 9½ 93 £	100	93½	94	−0⅛	+0¼	11.63
Philips Gloeil. 6 93 FL	300	96⅝	97⅛	0	−0½	6.92
Privatbanken 7½ 94 LFr	500	97⅜	98⅝	−0⅜	−0⅜	7.98
Royal Bk.Scot. 10⅝ 98 £	125	96⅜	96⅞	0	+0½	11.28
Saskatchewan 9⅞ 91 C$	150	†98½	99	−0⅛	−2	10.60
Saskatchewan 10¼ 93 C$	200	100⅛	100⅝	0	−1⅜	10.11
State Bk.NSW. 13⅞ 93A$	100	97⅛	97½	−0⅜	−0¼	14.71
Sweden 15 94 A$	100	104¼	104½	−0¼	+0⅜	13.63
Toyota Mtr.Cr. 11⅜ 92C$	150	102⅛	102⅝	0	−1⅜	10.31
World Bank 13⅜ 92 A$	100	99⅝	100⅛	0	0	13.41
World Bank 14 94 NZ$	75	105½	106½	+0⅜	+0⅞	12.13
World Bank 15 94 A$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.97

DEUTSCHE MARK STRAIGHTS

SWISS FRANC STRAIGHTS

FLOATING RATE NOTES

CONVERTIBLE BONDS

* No information available—previous day's price

† Only one market maker supplied a price

Success of HK$10.5bn HIT loan stirs HK

By Michael Murray in Hong Kong

A HK$10.5bn syndicated loan to finance Hongkong International Terminal's expansion of the Kwai Chung container port was oversubscribed at close of syndication, providing a boost in confidence for the local financial community still shaken by recent events in China.

Some HK$4.3bn of the loan is being used to refinance a bridging loan for the land premium paid last year for the new Terminal 7 at the container port, HK$4.1bn for construction and equipment costs and HK$2.1bn for a new cargo distribution centre serving existing HIT terminals. The loan was arranged by Wardley Capital.

Underwriters include the Hong Kong and Shanghai Bank, Bank of China, Standard Chartered, Chase Manhattan and there is a strong Japanese presence, with four banks including Dai-Ichi Kangyo and Sumitomo.

The terms of the loan to HIT, which is controlled by Mr Li Kashing, a Hong Kong tycoon, through the Hutchison Whampoa group, are viewed as being very fine. The first HK$8.4bn has a maturity of 9.5 years and carries interest of 0.5 per cent above Hong Kong interbank offered rates for the first 3.5 years and 0.375 per cent thereafter. The second HK$2.1bn loan is for 7.5 years, with interest of 0.375 per cent above Hibor.

Taiwan moves funds to help its banks overseas

TAIWAN, holder of the world's second largest foreign exchange reserves, plans to use some of its funds to boost the overseas operations of local banks, Reuter reports from Taipei.

Mr Samuel Hsieh, governor of the central bank, said the bank would withdraw a portion of its foreign currency reserves now deposited at more than 100 foreign banks. It would deposit the funds in 16 overseas branches of three local banks, he said. "The purpose is to use our currency reserves effectively," he added. The reserves now stand at US$75.7bn.

Taiwan's International Commercial Bank of China has 11 branches in the US, Canada, Panama, Japan, France, Thailand and Australia. State-owned First Commercial Bank has one branch each in Singapore, Britain and Guam, while state-owned Bank of Communications has branches in Singapore and the US.

Mr Hsieh said the central bank expects the Taiwan banks' interest rates to be similar to those it now receives from foreign banks. He did not specify how much money the central bank will deposit in the 16 branches.

"We have confidence that putting our money in the overseas branches of local banks will be as safe as depositing it in major foreign banks," he said.

Local economists say Taipei previously shunned Taiwanese banks as less safe than their overseas counterparts.

Officials of the three local banks welcomed the new policy, saying it would help to boost their credit standings and the scope of their business. "The change of attitude by the central bank will be a boon for local banks because they will no longer be worried about the shortage of foreign currency funds," said Mr Ken Ping, vice president of Bank of Communications.

Mr Chen Chi-chu, vice president of International Commercial Bank, said: "The central bank's support will certainly help broaden the scope of our business operations and put us in a better position to compete with our foreign counterparts."

He added that most local banks' overseas networks could not compete with foreign banks, forcing them to borrow funds at high interest rates from foreign banks to keep operations going.

Mr Huang Hai-nan, vice president of First Commercial Bank, said: "Money from the central bank will put us on an equal footing to compete with foreign banks."

● Inter Pacific Industrial Group, a diversified group with interests ranging from manufacturing to property, has agreed to buy 51 per cent of stockbrokers Malayan Traders for 4m ringgit, AP-DJ reports from Singapore.

Inter-Pacific, which recently changed its name from Raleigh, said it had paid 1.16 ringgit a share for the 3.5m shares in Malayan Traders, which has been a member of the Kuala Lumpur Stock Exchange since 1972.

The company said it was making the purchase to broaden its earnings base into the financial sector.

All of these securities having been sold, this announcement appears as a matter of record only.

New Issue

A$334,400,000

National Australia Bank

55,000,000 Ordinary Shares

Global Coordinator

Merrill Lynch Capital Markets

15,000,000 Ordinary Shares

The above shares were underwritten by the following groups of International Underwriters. coordinated by Merrill Lynch International Limited.

United Kingdom

S. G. Warburg Securities | **Merrill Lynch International Limited**

Cazenove & Co., London | N M Rothschild & Sons Limited | Swiss Bank Corporation Investment Banking | J. B. Were & Son

Federal Republic of Germany

Dresdner Bank Aktiengesellschaft | **Commerzbank** Aktiengesellschaft | **Deutsche Bank** Aktiengesellschaft | **Merrill Lynch Bank A.G.**

Baden-Württembergische Bank Aktiengesellschaft | BfG:Bank | DG BANK Deutsche Genossenschaftsbank | Reuschel Bank | Vereins- und Westbank Aktiengesellschaft

Switzerland

Swiss Bank Corporation Investment Banking | **Credit Suisse First Boston Limited** | **Merrill Lynch Capital Markets AG**

Swiss Volksbank | **UBS Phillips & Drew Securities Limited**

Banca del Gottardo | BSI-Banca della Svizzera Italiana | Bank J. Vontobel & Co. AG | Compagnie de Banque et d'Investissements, CBI

Julius Baer International Limited | Leu Securities Limited, London | Pictet International Ltd. | Swiss Cantobank Securities Limited

Rest of the World

Merrill Lynch International Limited | **The Nikko Securities Co., (Europe) Ltd.**

Amsterdam-Rotterdam Bank N.V. | Banque Indosuez | Creditanstalt-Bankverein | Nomura International

Paribas Capital Markets Group | Shearson Lehman Hutton International | Ssangyong Investment & Securities Co., Ltd. | Wood Gundy Inc.

3,000,000 American Depositary Shares
Representing 15,000,000 Ordinary Shares

The above shares were underwritten by the following group of U.S. Underwriters.

Merrill Lynch Capital Markets | **The First Boston Corporation** | **S. G. Warburg Securities**

Bear, Stearns & Co. Inc. | Alex. Brown & Sons Incorporated | Dillon, Read & Co. Inc. | Donaldson, Lufkin & Jenrette Securities Corporation | Drexel Burnham Lambert Incorporated | Goldman, Sachs & Co. | Hambrecht & Quist Incorporated

Kidder, Peabody & Co. Incorporated | Lazard Frères & Co. | Montgomery Securities | Morgan Stanley & Co. Incorporated | The Nikko Securities Co. International, Inc. | Nomura Securities International, Inc.

PaineWebber Incorporated | Prudential-Bache Capital Funding | Robertson, Stephens & Company | Salomon Brothers Inc

Shearson Lehman Hutton Inc. | Smith Barney, Harris Upham & Co. Incorporated | SBCI Swiss Bank Corporation Investment banking | Wertheim Schroder & Co. Incorporated | Dean Witter Reynolds Inc.

Sanford C. Bernstein & Co., Inc. | Fox-Pitt, Kelton Inc. | J. B. Were & Son Inc. | C. J. Lawrence, Morgan Grenfell Inc.

13,000,000 Ordinary Shares

The above shares were placed by the following Australian firms.

J. B. Were & Son | **A. C. Goode & Co. Ltd.** | **Merrill Lynch International (Australia) Limited**

12,000,000 Ordinary Shares

The above shares were underwritten by the following group of Japanese underwriters.

The Nikko Securities Co., Ltd.

The Nomura Securities Co., Ltd. | **Yamaichi Securities Company, Limited** | **Daiwa Securities Co. Ltd.** | **Merrill Lynch Japan Incorporated**

Tokyo Securities Co., Ltd. | Dai-ichi Securities Co., Ltd. | New Japan Securities Co., Ltd. | Taiheiyo Securities Co., Ltd.

Kokusai Securities Co., Ltd. | The Nippon Kangyo Kakumaru Securities Co., Ltd. | Okasan Securities Co., Ltd. | Sanyo Securities Co., Ltd. | Wako Securities Co., Ltd.

Cosmo Securities Co., Ltd. | Ichiyoshi Securities Co., Ltd. | Kosei Securities Co., Ltd. | Maruman Securities Co., Ltd.

Meiko Securities Co., Ltd. | Mito Securities Co., Ltd. | Toyo Securities Co., Ltd. | Universal Securities Co., Ltd. | Yamatane Securities Co., Ltd.

INTERNATIONAL CAPITAL MARKETS

Defensive trading ahead of US Tan Book report

By Janet Bush in New York and **Katharine Campbell** and **Norma Cohen** in London

US TREASURY bonds traded defensively ahead of yesterday's 10-year note auction and publication of the US Federal Reserve's Tan Book report on economic activity.

At mid-session, short-dated maturities were quoted around 1/16 point lower, while the Treasury's benchmark long bond

GOVERNMENT BONDS

stood 3/16 point down for a yield of 8.11 per cent.

The market is beginning to show signs of strain as it has much new paper to absorb. The three-year note auction on Tuesday attracted little demand from individual investors and Japanese participation was lower than expected.

On top of that, the Treasury announced that it was raising the total of next week's weekly auction of three-month and six-month Treasury bills by $1.2bn. The cash management bill to be sold today has also been raised by $5bn and the Treasury has said that it will raise two thirds of the $20bn needed to finance the rescue of the thrift industry through further cash management bills.

Details of the Fed's Tan Book, a compilation of regional economic reports used by the Federal Open Market Committee as a guide to setting monetary policy, started emerging at mid-session. The latest book reflects information gathered up to August 1.

The general message was that the economy continues to grow slowly, with weakness in auto sales in a majority of regions and soft manufacturing activity.

Yesterday's auction was of $9.75bn 10-year notes. This is the maturity thought to be most favoured by Japanese investors, but there was some nervousness about the sale during the morning session. The market is also bracing itself for today's 30-year sale and the sale of $15bn of 247-day cash management bills.

The week is rounded off with the release tomorrow of producer prices figures for July, expected to be flat or to show a small gain, and of July retail sales data.

■ JAPANESE government bond prices closed slightly lower, after active trading during the Tokyo day saw the yield on the benchmark number 111 bond fall briefly to 5.0 per cent. But dealers said that once it had reached that level, fear that the Bank of Japan would act to cool the markets prompted some selling.

Rumours had circulated in Tokyo that the BOJ, which has publicly warned against the speculative fever dogging the bond markets for the past few sessions, was checking prices with dealers. On Tuesday, the BOJ had recalled loans from city banks, thus withdrawing some liquidity from the market in an apparent effort to discourage buying.

By the close of London trading yesterday, the yield had risen to 5.07/06 per cent, up slightly from Tuesday's 5.05/04 per cent.

Dealers said London trading was very thin, with the largest transactions apparently related to the hedging of options positions.

■ UK GILT-EDGED securities passed an exceptionally uneventful day, with professionals and retail investors alike biding their time until today's Bank of England Quarterly bulletin, and a series of data next week yielding clues on the inflationary front.

But yesterday's market lacked direction, and turnover was dismal. The September gilt future closed just 1/32 firmer at 96-31, but turnover in all months amounted to fewer than 10,000 contracts.

■ ACTIVITY in the German bond market was also slow. News that the Bundesbank had allocated DM19bn to repurchase agreements – exactly equivalent to the sum draining from the market – at rates from 6.65 per cent to 6.90 per cent lent a mildly positive tone to the market. Prices closed between five pfennigs weaker and five pfennigs stronger.

● Jardine Fleming Holdings, half-owned by Jardine Matheson Holdings, has teamed with an Indonesian company to set up a financial services firm in Jakarta, Reuter reports from Hong Kong.

Jardine Fleming and Indonesia-based PT Rajawali Wira Bhakti Utama have jointly formed PT Jardine Fleming Nusantara Finance, scheduled to open later this month.

PT Rajawali's interests include Rajawali Citra Televisi Indonesia, the nation's first commercial television station, and a hotel-management venture with US-based Sheraton International.

PT Rajawali is owned by the Gadjah Tunggal, Ometraco and Danaswara groups.

"The recent deregulation measures announced by the Indonesian Government have added a much-needed impetus to the development of the local capital markets," said Mr Alan Smith, managing director of Jardine Fleming Holdings.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	107-08	+0/32	10.69	10.78	11.09
		9.750	1/98	96-14	+0/32	10.03	10.12	9.66
		9.000	10/08	96-20	+1/32	9.15	9.20	9.46
US TREASURY *		9.125	5/99	107-10	-1/32	8.03	7.79	7.99
		8.875	2/19	108-21	-6/32	8.10	7.86	8.02
JAPAN	No 111	4.600	6/98	97.1550	-0.118	5.07	5.03	5.23
	No 2	5.700	3/07	106.7570	-0.001	4.98	4.95	5.06
GERMANY		7.000	2/99	102.3500	-0.050	6.65	6.56	6.62
FRANCE	BTAN	8.000	1/94	98.0100	+0.124	8.53	8.49	8.85
	OAT	8.125	5/99	98.6800	+0.060	8.32	8.34	8.60
CANADA *		10.250	12/98	105.7750	-0.250	9.30	9.13	9.31
NETHERLANDS		7.000	3/99	100.2000	+0.080	6.97	6.94	7.04
AUSTRALIA		12.000	7/99	94.9083	-0.108	12.92	13.03	13.44

London closing, *denotes New York morning session
Yields: Local market standard — Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Swiss resort to telephone as Soffex fails again

By Katharine Campbell

TRADERS ON Soffex, the automated Swiss equity options exchange, yesterday resorted to telephone contact for the third day in succession, as the 15-month-old electronic trading system broke down after attempts to install new software last weekend.

A spokesman for the exchange explained that, in spite of the testing of new software designed to increase the exchange's capacity, complications in installation led the electronic system to collapse on Monday afternoon.

Efforts to revive the old software, which continued through the night, failed to secure a workable system until yesterday morning when, after trading for just over an hour, the computers again failed. The spokesman could not say when normal trading would resume, although he said the telephone market was working excellently.

Some traders, however, criticised the telephone system's lack of transparency. "I am not saying people are cheating, but the large banks have customers who want to unwind their positions, and what is the right price?" one market-maker questioned. Options volumes have fallen considerably this week.

During its first year the Swiss system ran smoothly, but members point to explosive growth recently that has begun to highlight inadequacies in the hardware.

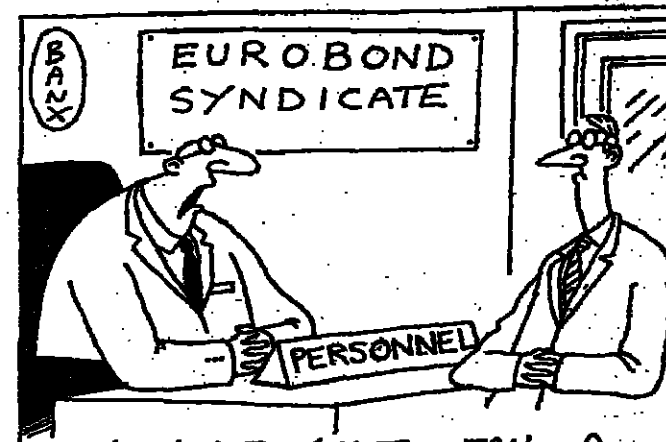
Mr Ted Gutierrez, Crédit Suisse's head Soffex trader in Zurich, comments that "a huge increase in volume since late spring has really slowed response times – to three or four seconds when it is overloaded."

Some members argue that the exchange must radically adapt its style to accommodate its new-found success. But "it would be a tragedy if people interpret this as a failure of electronic trading itself," adds Mr Gutierrez.

The Soffex software has been purchased by the Deutsche Terminbörse, which plans to open a German futures and options exchange next January.

Lies, damned lies and Eurobonds

New issue traders rarely say what they mean finds Andrew Freeman



"WE'D LIKE YOU TO FAIL A POLYGRAPH TEST, MR WILKINSON."

The combination of human nature and intense business competition can lead to some unlikely results. Among Eurobond syndicate managers and new issue traders, whose market is possibly outranked in terms of overcapacity only by UK gilts, the need to give deals a good launch can inspire the most honest individual into giving a passing impression of a pathological liar.

The Euromarket has never been the place for unsophisticated investors. Indeed, critics claim that it is so much a professional market that it allows as standard some practices which elsewhere would immediately bring in the regulators. Nevertheless, the market is ultimately underpinned by retail investors, particularly in Europe.

Like any market, it has its share of jargon, with even the arcane language of bonds finding occasional embellishments which have traders reaching for their glossaries. What, they asked, is a flip-flop bond when it is at home?

Behind the jargon, however, lies the fate of millions of dollars worth of funds. The serious side of the business is that a single bad transaction might be enough to drive a house out of the sector. It is this harsh fact which leads to some of the semantic imprecisions which characterise descriptions of deals when they are in the crucial distribution phase.

For the benefit of the non-professionals, the glossary below attempts to read between the lines of the typical descriptions of, and excuses for, new issues and offers a translation.

● "The deal had a slow reception, but will go retail after a few days." – *"We still own all the bonds, but hope we can flog a few to innocent investors. This will take a while."*

● "We thought the pricing was fair." – *"It was tight as hell, but co-managers had to come in for relationship reasons."*

● "It's a blow-out, sold out within two hours." – *"All the paper has been sold PA to boost the salaries of the new issue traders. If you want some, it will cost a you 3/8 point higher."*

● "The funding rate was attractive." – *"We subsidised the swap to make sure the borrower keeps using our M&A department."*

● "The launch spread has widened slightly." – *"We got the pricing wrong by 10 basis points, but won't admit it."*

● "We bought a few bonds back." – *"We got the pricing wrong and now own 120 per cent of the deal."*

● "We invited banks with real placement power." – *"We only sent out two invitations."*

● "We increased the issue to $300m to satisfy demand." – *"We have to make money somehow."*

● "We got the mandate, but the bidding was fierce." – *"The borrower has taken us for a ride again. We had to write a big cheque."*

● "We did pre-placement." – *"Japanese investors bought 90 per cent of the paper before launch."*

● "This will definitely be a liquid issue." – *"We own it all, so we'll always make a market."*

● "There was good institutional demand." – *"We did have one pension fund interested in $100,000 worth."*

● "It's been substantially placed into firm hands." – *"The price has dropped so far, it's been asset swapped."*

● "We don't comment on any swap activity." – *"If we did, you could work out the size of our subsidy."*

● "There was a swap, but I can't say any more than that." – *"The swap was done by another house with a bigger book."*

● "The syndicate was very happy with the deal." – *"For heaven's sake, don't ask any of the co-managers."*

Egypt authorises two investment groups

By Tony Walker in Cairo

AL SHARIF and Al Saad, two of Egypt's biggest investment groups, have been given official approval to continue trading under a new law designed to control the unruly deposit-taking sector. But at least 10 other companies, including several of the biggest investment houses, are still awaiting approval after submitting detailed financial statements to the Government.

Dr Mohammed Fag el Nour, chairman of Egypt's Capital Markets Authority, announced details yesterday of a year-long government review of the fast-growing Islamic investment sector, during which the activities of these controversial finance houses were effectively suspended.

Some 106 companies had been asked to submit to government-supervised auditing, and to provide comprehensive details of their activities. A number are now under police investigation.

The Al Sherif Company for Economic Development and three companies under the control of Al Saad with some E£1.3bn (US$400m) in deposits will now be authorised to issue certificates of deposit, redeemable over three to four years.

Egypt cracked down hard on the ballooning investment sector when it became clear late in 1987 that the companies were facing increasing difficulties meeting their obligations to depositors.

The deposit-takers had grown spectacularly, virtually free of government control, after offering high rates of return on foreign and local currency deposits.

Companies approved under the new Law 146 will be obliged to repay depositors in local currency over three years. An extra 12 months is allowed for repayment of foreign currency deposits. Companies, which either elect to go into liquidation, or are forced to do so, are expected to repay depositors by June, 1990.

Spokesmen for several of the larger investment houses said it would be extremely difficult to comply with such a strict repayments timetable. Dr Fag el Nour said the Capital Markets Authority was obliged to respond within 60 days to requests of remaining companies for registration under the new law. The largest of these companies include Hoda Misr, Badr and El Hegaz.

The Egyptian official made it clear that Al Rayan, the largest and most controversial of the deposit takers, was being treated as a separate case. Mr Ahmed Tewfik Abdel-Fattah, Chairman of Al Rayan, has been remanded in custody pending investigation of his company's tangled affairs.

Egypt has been seeking the repatriation of hundreds of millions of dollars that the El Rayan group is believed to have lodged abroad. Law 146 requires the repatriation of all funds held in foreign accounts.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	71	29	5
Corporations, Dominion and Foreign Bonds	0	10	34
Industrials	371	390	814
Financial and Properties	183	116	370
Oils	7	35	51
Plantations	2	1	8
Mines	31	48	96
Others	48	109	115
Totals	713	738	1,493

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

TRADITIONAL OPTIONS

● First Dealings Aug 7
● Last Dealings Aug 18
● Last Declarations Nov 9
● For settlement Nov 20
For rate indications see end of London Share Service

Calls in Kunick, Morgan Gren, Bodyshop, Premier, ML Labs, Northamber, Ford Sellar Morris, Spring Ram, N Kala, Tusker, Corton Beach, Belhaven, Vickers, Merlin, Int Media.

FIXED INTEREST

LONDON TRADED OPTIONS

OVERALL VOLUMES on the London Traded Options Market continued at respectable levels, as the FT-SE index posted further gains and activity was also generated by the August expiry on 18 option stocks.

Turnover was similar to the previous day, with 42,133 lots changing hands. Call activity predominated, with 30,399, whereas puts saw 11,734 options traded.

In the FT-SE 100 index option, a total of 5,173 lots changed hands, concentrated in 3,440 puts. The index rose 12.3 points to close at 2,360.4, and dealers said that aggressive buyers of the futures contract had also been effecting bullish strategies in the options pit, notably selling puts.

Meanwhile, 60 per cent of total volume was accumulated in eight stocks, together with the FT-SE option. Of those, the most heavily traded was Pilkington, once again popularly touted as one of the next most likely targets for a bid. In the options section, 3,137 lots were recorded, with the busiest series the November 260 calls, where 985 options were traded. Indeed calls predominated, making up 3,110 of the total.

British & Commonwealth continues to incite a good deal of speculation as to its future, with stories of asset restructuring – reducing gearing and certain disposals – fuelling the rumour mill. Yesterday saw a total of 3,080 options, split between 2,522 calls and 558 puts. One series where open interest has been accumulating is the Jan200 calls. Dealers say average open interest is around 500 lots, whereas yesterday it stood at 2,576.

Another active option was British Telecom, where business homed in on the August 260 puts, with 1,576 lots. Overall, puts made up 2,635 of the total 3,094. BT is set to divulge its first quarter results on August 17.

Dixons proved a benificiary of the general excitement across the stores sector. Yesterday Dixons outpaced Asda on the LTOM, with 1,648 options, widely spread across a number of series.

As Bankers Trust brought another covered warrant to the market yesterday, this time on Glaxo shares, some activity was registered in that options crowd.

Irrational Numbers?

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BAC6%RENT-A-CAR33%ALUGUERSEMCONDUTOR17%AUTOVERHUUR18·5%ENOIKIASEISAUTOKINITON16%CARRLIGEAN10%R

Get the truth about Europe in the Financial Times. The voice of authority in a changing Community.

Commonsense, it seems, has little to do with the European Community's bewildering array of taxes.

Take value-added taxation: 14% in Germany, 22% across the border in Denmark. Punitive excise duties in one country, none at all in another.

Of course by 1992 all such differences will be swept away. Or will they?

At this point no one can tell. Not even the European Commission Members who are proposing the changes.

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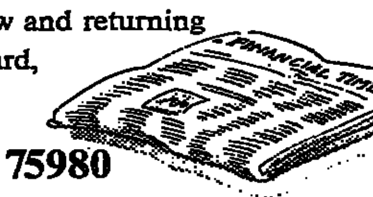

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*Source: PES 4, 1988. **Source: EBRS, 1989. ***Source: PES 4, 1988.

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Insurer's profits hit by severe weather in US and large fire claims in UK

CU declines to £90.2m but raises dividend

By Eric Short

EXCEPTIONALLY SEVERE weather in the US and a spate of large fire claims in the UK during the second quarter of 1989 combined to push pre-tax profits of Commercial Union down from £111.4 to £90.2m at the half-year stage.

After-tax profits dropped from £65.4m to £49.3m, with earnings per share declining from 15.6p to 11.7p. However, the interim dividend is raised 12.4 per cent from 7.25p to 8.15p.

Mr Tony Brend, chief executive, justified the dividend increase on the grounds of continued strong life profits of £44.1m (£41.4m), regarded as fully distributable, and a stronger balance sheet with the solvency margin up to 64 per cent.

The operating loss in the US dropped to £20.7m (£4.6m), a fall widely expected with the insurance market there now into its next cyclical downswing.

The US experienced its most severe weather for seven years, with wind, hail and tornadoes striking the southern States. It cost CU an additional £13m in severe weather claims during the second quarter. The American Insurance Association estimated the total cost to the US insurance industry at $1.29bn (£795m), with one particular catastrophe, which hit north west Louisiana, costing $380m.

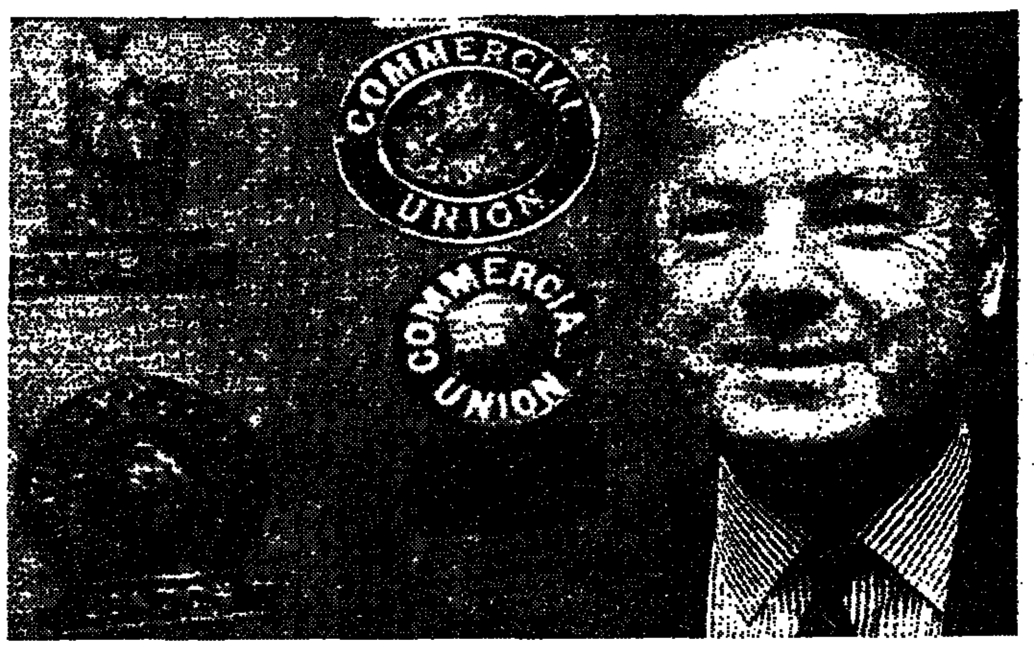
The US claims ratio worsened appreciably in the second quarter to 117.7 per cent against 101.3 per cent for the comparable period last year, with personal lines rising from 96.6 per cent to 114 per cent and commercial lines rising from 105.1 per cent to 121.1 per cent.

The weather has been beneficial to insurance companies operating in the UK. However, a spate of large commercial fires cut back the underwriting profit in the second quarter from £12.2m to £3.1m. The fire in May at the GEC sensors plant in Essex could cost UK insurance companies well over £60m of which CU's cost is between £3m and £4m.

These fires were a major factor in the operating profit for the period being virtually unchanged at £87.4m (£88m).

In Canada, operating profits declined from £8m to £5.3m. Competition is widespread with problems in the Ontario motor business – a market where CU is reducing its exposure.

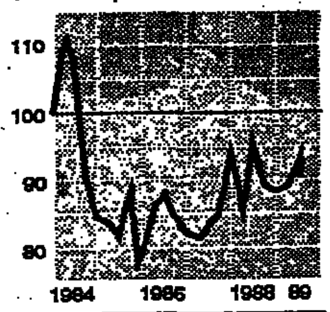
The improvement in non-life results in the Netherlands, continued with pre-tax profits rising from £27.7m to 34.8m. Elsewhere in Europe, trading profits fell with Belgium experiencing adverse workers' compensation claims. There were also lower profits from South America.



Tony Brend: dividend increase justified on grounds of continued strong life profits

Commercial Union

Share price relative to the FT–A Composite Insurance Index



● COMMENT

CU's profit decline would have been in line with market expectations but for its unlucky experience with the weather in the US, which affected the entire US insurance industry, and a spate of large random fire claims in the UK. Nevertheless, the US market is now well into its next downcycle with personal lines starting to follow commercial business, though it has not yet become a bloodbath as with the previous downturn. The weather has been very kind to insurers in the UK, but the profitable conditions are already increasing pressure for rate cutting. Conditions are expected to deteriorate further in the second half leaving 1989 profit's some 15 per cent down at £170m: but strong stable life profits and a strengthening balance sheet will enable CU to maintain its interim dividend increase at the final stage leaving an overall expected payment for the year of 21.5p against 19p, a factor that restricted the share price fall to 6p at 402p.

London Forfaiting shows £6m loss as rates bite

By Philip Coggan

LONDON FORFAITING, the trade finance group, plunged into the red in the first half of 1989 as high interest rates pushed the company into an interim pre-tax loss of £6.5m.

The company had warned at the time of its last annual results in March that profits were likely to fall this year. A continuing period of volatile and unfavourable interest rates caused the company to make substantial provisions to reflect the loss in value of its forfaiting assets. Assets are stated at the lower of cost and market value.

However, the company said that no provisions on credit grounds had been required, and market conditions in the month of July had improved, with management accounts indicating pre-tax profits of around £4m in the period. Of that figure, £2.5m was due to the release of interest rate provisions.

Net assets per share were 114.2p (118p). A tax credit of £2.58m (£2.51m charge) reduced the attributable loss to £3.95m (£7.94m profit). The loss per share is 3.95p (8.58p earnings) and the interim dividend is maintained at 2.625p.

● COMMENT

When London Forfaiting floated on the USM last year, it indicated that it could ride out the swings in the interest rate cycle through careful hedging. But something went drastically wrong. These figures indicate that the group is just as prone as a discount house to suffer from a sudden rise in rates. And since Forfaiting's shares are yielding just 8.4 per cent, compared with the 9 per cent plus on offer from the discount houses, it is hard to envisage a buying spree from investors. Even if the company does recover – a small profit is possible for the full year – the shares will face the problem of British & Commonwealth's 40 per cent stake. B&C will surely want to sell if the share price picks up. There may be some release of provisions if interest rates fall but those who want to gamble on a fall in rates would do better to invest in bonds.

Electra Investment reconstruction with £550m fund

By Ray Bashford

ELECTRA Investment Trust, a specialist investor in unquoted companies, is being reconstructed through the addition of a new £550m fund which will concentrate on European investment opportunities.

At the same time Electra's managers are to form a new investment management company which will be floated off in between four to five years.

The shares yesterday firmed 18p to 340p following announcement of the reconstruction.

Electra Private Equity Partners, the new fund, will be one of the biggest European funds specialising in unquoted companies, with financial backing coming from seven major international institutional shareholders as well as Electra.

Mr Michael Stoddart, chairman, said the fund's European activities would include equity related investment in development capital, management buy-in and buy-outs, recovery situations, industrial rationalisations and large-scale start ups.

Electra Kingsway Managers Holdings has been established to run the fund. It will acquire Electra's existing wholly-owned fund management company in exchange for 49.9 per cent of the new management group, an issue of preference shares and £3.25m in cash.

It will manage Electra's existing trust as well as the new fund in preparation for the public issue, Mr Stoddart said.

Electra will alter its future investment focus to concentrate on the US following the creation of the new trust.

At March 31 this year, Electra's investment portfolio was valued at £540m and ranged across quoted and unquoted holdings in Europe and the US, with some 61 per cent of the portfolio's worth held in unquoted investments at that date.

Among the benefits which are expected to flow to Electra, in addition to the consideration for the sale of the management company, is the receipt of a 10 per cent share of gains generated by new fund in addition to those attributed to its capital contribution.

Mr Stoddart believes that tighter economic conditions will strain the balance sheets of increasing numbers of unquoted companies which will throw open the opportunity to invest in potential recovery situations.

The fund will not participate in hostile takeovers and has ruled out investment in high tech and small-scale start up ventures.

The seven institutional investors have commited a total of £165m in almost equal amounts to the fund in addition to Electra's £200m investment. Electra's commitment will be paid in tranches over four years from regular cash flow sources or from borrowings. Subscriptions for a further £185m are being sought and the fund is expected to close in late November with a £1m minimum commitment from each investor.

The core investors are: Credit Commercial de France, a leading French investment bank; General Electric Pension Fund of the US; Globe Investment Trust, which is a 26 per cent shareholder in Electra; the Industrial Bank of Japan; and the Government of Singapore Investment Corporation. The Howard Hughes Medical Institute and United States Steel & Carnegie Pension Fund are the other institutional investors.

The institutional investors in the new fund will subscribe for 80.1 per cent of the Electra Kingsway Managers with the remaining 20 per cent to be subscribed by the executive management of Electra.

See Lex

Dominion facing tough questions

By Clare Pearson

THE BOARD of Dominion International Group, the financial services, property and natural resources company, is likely to face tough questioning at today's annual meeting from the Richardson brothers, prominent Midlands investors and property developers.

The Richardsons – twins Roy and Don – have recently increased their stake in Dominion to nearly 12 per cent. They said yesterday: "We have several million of pounds invested in Dominion and we cannot remain inactive if the investment does not perform. We are in a position to positively support any directors with the company's interests at heart."

Mr Roy Richardson said a particular source of concern was an agreement between the company and two directors who resigned in May, preventing the two from voting their stake of about 7 per cent against directors who are standing for re-election today.

Mr Richardson said he had to conclude the company had tended to lose direction over the past few years under the control of Mr Max Lewinsohn, the deputy chief executive.

Mr Lewinsohn confirmed that an agreement limiting the voting rights of the outgoing directors, Mr Nigel Cayzer and Mr Rupert Galliers-Pratt, had been reached. "But it was an entirely normal commercial arrangement," he said.

Mr Richardson was last night due to meet Mr Carl Openshaw, the recently appointed managing director, who worked for Guthrie, the diversified manufacturing company, until it was taken over by BBA Grouplast year.

Mr Richardson said he had had several conversations over the past few weeks with Lord Barnett, the Labour peer who became non-executive chairman last December.

Last month Dominion announced full-year pre-tax profits of £5.44m, as well as the disposal of FFL, the film insurance company it had bought scarcely a year before. The previous year's figure, originally announced at £6.6m, was restated at £4.87m.

The Richardsons raised their stake from 6.6 per cent after the results announcement, at a price of 53p. Yesterday Dominion's shares stood at 67p.

Simon speeds Chinese withdrawal as profits rise

By Andrew Hill

THE CLAMPDOWN on the Chinese democracy movement has forced Simon Engineering to speed up its withdrawal from mechanical and electrical engineering operations in Hong Kong and China.

The equipment, services and manufacturing group lifted pre-tax profits by 22 per cent to a record £14.3m (£11.7m) in the six months to June 30.

Simon provided £3.99m against the gradual running down of Drake & Scull in Hong Kong last year, which it thought would be a final extraordinary charge. But after the outcome of the Chinese student protests in May and June the group decided to make a further provision of £3m below the line now.

Mr Roy Roberts, Simon's chairman, said yesterday: "It's a prudent look at what might happen. We had already set a withdrawal in motion last year, because the whole business scene in Hong Kong had run out of steam." The Hong Kong division would be run down as contracts were completed.

In the first half, Simon's manufacturing and engineering contracting divisions both pushed up pre-tax profits by around 50 per cent and Simon said about £2.7m of the trading profits of £15.9m came from recently acquired businesses.

The manufacturing operation, which produces access and firefighting platforms and cranes, as well as water and waste treatment equipment, increased pre-tax profits to £6.7m (£4.5m).

Profits from engineering contracting rose from £3.9m to £5.9m and services only slipped 6 per cent to £3.4m (£3.6m). Group turnover rose 13 per cent to £322m (£284m).

Simon said it was attempting to even out the distribution of dividends. The interim rises to 4.5p (3.5p).

● COMMENT

Simon is fast becoming a prime example of that relatively new City phenomenon, the green stock. Its shares have risen sharply since last Wednesday's announcement that UK water authorities will spend at least £18.65bn on capital projects in the next 10 years, although they slipped 3p to 415p yesterday. Simon estimates it could compete for at least 3 per cent of the total capital programme, specifically connected with the installation of sewage treatment equipment; if it wins turnkey contracts for entire sewage works the target could be even higher. But it is a slow process. The proportion of Simon's sales attributable directly or indirectly to environmental operations (about 30 per cent currently) will probably remain the same, as the important access business continues to grow. Halfway gearing of 45 per cent should come down with the Drake & Scull Engineering disposal and analysts are looking at £39m before tax in the full year. The green-tinged shares look attractive on a prospective p/e of about 11.

£130m US issue by Cable & Wireless

By Hugo Dixon

CABLE & WIRELESS, the international telecoms group, plans to raise about £130m via an offering of new shares in the US late next month.

The offering will be in the form of 8.5m American Depository Shares, representing 25.5m ordinary shares, the group said. The ADSs will be listed on the New York Stock Exchange.

The London market responded to the news by marking C&W's shares up 25p to 559p.

Explaining why the shares went up when the market's normal response to a share issue is to mark share prices down, Mr James Dodd, an analyst with Kleinwort Benson Securities, said: "US investors have a far greater enthusiasm for the opportunities than the valuation implied in the UK market."

For example, much of the drive behind Racal Telecom's share price since its flotation last year has been from US investors. And US Sprint and MCI, which run long-distance telecoms networks in the US in competition with AT&T, have also seen share prices rise.

The deregulation of Britain's telecoms markets has given C&W many opportunities, although these have yet to pay dividends.

The group's Mercury Communications subsidiary is competing against British Telecom in providing normal fixed telecoms services and is due to be granted a personal communications licence later this year to compete with Racal Telecom and others in mobile services.

The ADS listing is a convenient way for C&W to raise money to finance its ambitious expansion programme. It will also advance its strategy of moving away from excessive dependence on its majority-owned Hong Kong Telecom subsidiary.

Amersham's Japanese sales hit

By John Thornhill

SIR EDWIN NIXON, chairman of Amersham International, the healthcare and medical products group, struck a slightly cautious note at the annual meeting yesterday.

He warned shareholders that sales of pharmaceutical products in Japan had been affected by a sales embargo, imposed by the authorities because of a violation of health regulations in 1984 and 1985. He also said it was difficult to assess Amersham's current trading position but that the aim of the company was to return to a normal pattern of profit growth in the 1990-91 financial year.

The Japanese authorities penalised Amersham by preventing it from selling its pharmaceuticals products for 25 days after the company had unwittingly failed to comply with the Ministry of Health and Welfare's drug approval regulations.

Dr Stuart Burgess, chief executive, said the effect of the ban was hard to quantify but it had hit sales in Amersham's most profitable market. Sales of pharmaceuticals products to Japan represent over 3 per cent of Amersham's total business.

Sir Edwin said Amersham was reviewing the performance of its individual businesses, redirecting resources into areas of higher earnings potential and implementing a cost reduction programme. But he added that it was too early to assess the impact of these changes on the current year's results.

Last year, Amersham recorded a 15 per cent fall in pre-tax profits despite a 9 per cent rise in turnover to nearly £180m. The company blamed competition and the strength of sterling for the fall.

Amersham's shares yesterday rose 2p to 452p.

Heywood Williams ahead despite UK downturn

By John Thornhill

HEYWOOD WILLIAMS, the glass and aluminium product specialist, increased pre-tax profits by 17 per cent to £15.31m in the half year to June 30, despite reduced demand caused by high interest rates and trading uncertainties.

Sales and profits from the UK were down on the comparable period, and the profits gain was due to a first time £800,000 contribution from continental European activities and a much improved £1.8m from US interests.

Mr Ralph Hinchcliffe, chairman, said trading conditions in the UK were more difficult than last year and estimated that the home improvement market was down by as much as 15 per cent. Increased glass imports, resulting from sterling's high value, had also intensified competition and put pressure on profit margins.

However, he added that the recent fall in the pound's value should begin to reduce imports and ease competitive pressures.

In contrast with the UK, which represents 80 per cent of the group's activities, Heywood's overseas businesses experienced strong trading conditions. Continental activities expanded in volume and profitability and the group's US operations produced more profit in the first half than during the whole of 1988. This improved performance reflected the benefits of earlier reorganisation, Mr Hinchcliffe claimed.

Group turnover rose 13 per cent to £151.54m (£133.71m). The interim dividend was raised to 4.5p (4p) and earnings per share grew by 9 per cent from 14.1p to 15.4p.

● COMMENT

Heywood's UK business has certainly suffered in the first half and the prospects for the rest of the year look scarcely better. Continuing high interest rates will hamper Heywood's progress and the generally depressed market conditions give little scope for hope. A more favourable exchange rate – at least as far as Heywood is concerned – may ease things slightly, but probably not sufficiently to produce a real turn around. However, the great bonus in this result was the strong contribution from overseas activities. Heywood's operations on the Continent and in the US are benefiting from solid demand and will help to tide the group over during the adverse spell in its home markets. Some profit forecasts for the year are being downgraded to around £34m, which will put Heywood on a prospective multiple of about 8. For the present that looks like no more than a dull hold, but Heywood will offer considerably more attractions when perceptions of the state of the economy grow rosier.

Parkway shares drop by 20% on profit warning

SHARES IN Parkway Group, voted USM Company of the Year, yesterday shed over a fifth of their value when it warned that profits would not meet current expectations, writes Vanessa Houlder.

The announcement, which coincided with a profits warning from Porvair, a USM-quoted specialist plastics manufacturer, is likely to fuel City fears about a squeeze on the profitability of small companies. Some analysts have predicted a flood of profit downgradings in the autumn.

Parkway, which provides pre-press production services, is now expected to make pre-tax profits of £9.2m for the year to September 30, compared with previous expectations of £12m and last year's £4.81m. Its shares fell 53p to 172p.

The shortfall was blamed equally on its Blackburn printing and reproduction subsidiary, a general softening of the UK advertising and print market and higher interest rates. Parkway's gearing exceeds 100 per cent.

Mr John McKimmie, chairman and chief executive, said Blackburn's poor performance was due to an acquisition that was now making losses.

Mr McKimmie said that the softening of the advertising and print market had particularly affected the retail market.

However, its warning triggered an announcement from another pre-press business, Wace Group, which said its confidence was undiminished. Analysts suggested that Parkway's greater emphasis on brochures and direct mail, which are early targets of budget cuts, and Wace's success in gaining market share explained the difference.

The profits warning is likely to dampen Parkway's ambitious acquisitions policy. Since it joined the USM in July 1987, it has bought 24 companies in five countries.

Porvair, which joined the USM in April 1988, warned that profits for the year to November 30 would not match last year's £1.35m. Analysts now expect it to make about £800,000. Its shares fell 25p to 85p.

Porvair said the downturn was due to an increase in overheads, which stemmed from attempts to widen the range of industrial applications.

Sales of Porelle, a material used for waterproof clothing, failed to meet targets and a new plant had teething problems.

Merger Clearances

The following acquisitions are not being referred to the MMC: sale to Deeko of the Atlas Lace Paper Company; the acquisition by Gestetner Holdings of Hanimex Corp; the purchase by Scottish and Newcastle Breweries of the remaining 50 per cent of Pontins which it does not already own and a 65 per cent holding in Center Parcs NV; and the proposed acquisition by Marketchief of Imry Merchant Developers.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Beales (John) ....fin	5.75†	-	4.65	7.8	6.3
Betacom ....int	1	Oct 9	-	-	0.2
Commercial Union ....int	8.15‡	-	7.25	-	19
Fairway (Ldn) § ....int	1	-	1	-	2.5
GKN ....int	7.5‡	Nov 8	6.25	-	17
Heywood Williams ....int	4.5†	-	4	-	11.5
Kleinwort O/seas ......int	1.1	-	1	-	2.7
London Forfait §........int	2.625	Oct 2	2.625	-	7.25
McKay Securities ......fin	2.8	-	2.5	5.3	4.8
Metal Bulletin §.........int	2.1	-	1.85	-	5.3
PSIT ....fin	2.25	Oct 2	2	3.75	3.25
Simon Eng ....int	4.5‡†	Jan 1	3.5	-	13.5
Ultramar ....int	3‡	Oct 3	2.5	-	7.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡Carries scrip option.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- British Petroleum, Bullers, Davies & Metcalfe, Fergebrook, Frost, Independent Newspapers, Law Debenture, Rotork, Royal Dutch, Shell Transport & Trading, Smith & Nephew.

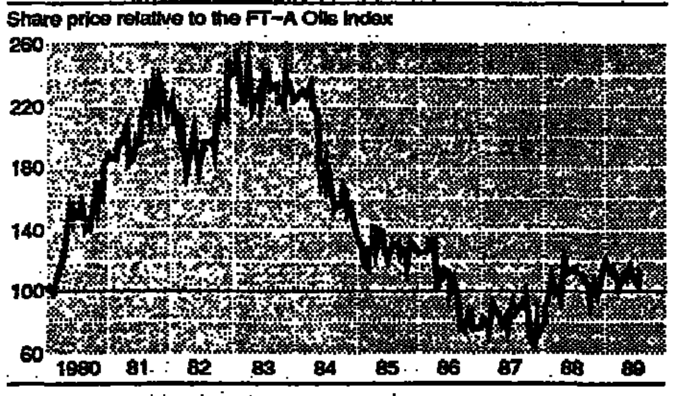
Finals- Compco, Rexmore.

FUTURE DATES

Interims-	
Bank of Nova Scotia	Aug. 29
Cussins Property	Sep. 18
EFT	Aug. 15
Home Counties Newspapers	Sep. 8
Inch Kenneth Kajang	Aug. 25
Laird	Aug. 18
Lancaster	Sep. 14
Microvitec	Aug. 17
Ramco Oil	Sep. 4
Royal Sovereign	Aug. 11
Final-	
Intl Communication & Data	Aug. 15

UK COMPANY NEWS

Ultramar
Share price relative to the FT-A Oils Index



Refining side boosts Ultramar to £62.5m

By Max Wilkinson

ULTRAMAR, the independent UK oil production and refining company, announced a substantial rise in pre-tax profits for the first six months of the year, largely because of improved refining margins.

Profit rose from £22.7m to £62.5m, on sales revenues ahead 52 per cent to £877.4m (£576.6m).

The improvement partly reflected the absorption of the Wilmington refinery on the US west coast last year. As a result, sales of petroleum products on the west coast more than doubled to 111,700 barrels a day.

Mr John Darby, chairman, cautioned that tighter product margins in the second half were expected to reduce profits compared with the opening six months. For the year as a whole, however, the profit would be well ahead of the £57.4m earned in 1988.

Capital expenditure in the first half was £71.8m (£30m). This reflected large outlays on the upgrading of the Quebec refinery, the development of the Ravenspurn North field in the North Sea, in which the group has an 11.5 per cent interest, and further development of its LNG plant in Indonesia.

Mr Darby said the three major projects were continuing on schedule and would contribute to development next year. In addition, the company would be on the look out for suitable acquisitions, particularly in Quebec. The group's debt to debt plus equity ratio was about 75 per cent but this would fall to 64 per cent as a result of the sale of four ships.

Ultramar's North Sea appraisal programme continued to show good results. It yesterday announced the successful appraisal of the Franklin Field, some 200km east of Aberdeen. Ultramar is the operator of this field. Total oil production in the six months to end-June was 107,300 barrels a day of oil equivalent.

Earnings came to 17.1p (14.1p) and the interim dividend is increased to 3p (2.5p).

European boom drives GKN to 31% increase

By Clare Pearson

GKN, the automotive and engineering group which has just climbed back into the FT-SE 100 index following the departure of Consolidated Gold Fields, pleased the stock market yesterday with a higher-than-expected 31 per cent increase to £110m in interim pre-tax profits.

The advance, from £84m, was largely fuelled by the booming European car market, but GKN also saw an improvement in its automotive parts businesses in the US, where the overall market declined.

Mr David Lees, chairman, sounded a confident note about prospects for the second half, saying: "While there are signs of a slowdown in demand in certain of the markets we serve, notably in North America, this should not prevent 1989 being another good year of progress for GKN."

Trading profits were £98.7m (£75.9m). The improvement was almost entirely organic with acquisitions and disposals, as well as exchange rates, not having significant effects.

A first time contribution from Westland, the helicopter company where GKN has a 22 per cent stake, provided £65m to sales of related companies, which totalled £292.4m (£187.7m) within overall turnover of £1.39bn (£1.21bn).

Mr Lees said profits from Westland were about £2.5m, of a total for related companies of £27.4m (£19.8m). The Westland share did not quite cover its financing costs.

Automotive and defence operations, of which defence is by far the smaller part, increased their trading profit margin on sales of £719m (£675m) by 1.5 per cent to 8.9 per cent.

Despite working at full-stretch, continental European automotive parts operations improved their profit margins thanks to efficiency measures. New Ford and Toyota models coming on stream in the US sustained the operations there. Full production of the Warrior tank meant defence businesses held their strong performance.

GKN said sales to the worldwide operations of Japanese vehicle makers could double this year from the £30m of last year, and the company expected benefits from further Japanese production centres in the US as well as from such "transplants" coming to the UK.

Industrial services and supplies, a division which has been vigorously developed over the last few years partly through acquisition and joint ownership deals, contributed £28m (£21m) to trading profits.

US automotive parts distribution and services were strong but the UK distribution operation, which GKN is selling, contributed less than £1m to divisional trading profits of £7m (£5m).

Earnings worked through at 26p (20.5p) and the interim dividend is lifted to 7.5p (6.25p).

See Lex

Ansbacher declines to £2.2m

By David Lascelles, Banking Editor

HENRY ANSBACHER Holdings, the City of London merchant banking group, suffered a 27 per cent fall in profits at the half way stage, but claimed that this deterioration did not reflect underlying progress made over that period.

Disclosed pre-tax profits in the six months to June 30 were £2.2m, down from £3m in the same period last year.

Ansbacher said that some £2m in additional fees were due in June for work completed by then. But since they were not collected until July they had been omitted from revenues.

"This conservative accounting policy introduced in 1985 may result in reported profit variations from time to time," it said. There will be no interim dividend, but the 1989 pay-out will be decided on the basis of the full year results.

Operating profits from merchant banking were £2.2m, down from £2.6m last year. Aside from uncollected fees, *particularly in the New York* mergers and acquisitions business, this reflected lower results from treasury operations which suffered from volatile markets and unanticipated high interest rates.

Mr Richard Fenhalls, the executive chairman, said that competition in the merchant banking business was now intense, and this was putting pressure on margins.

The offshore banking business made a significantly higher profit contribution.

Insurance broking lost £185,000, compared to a loss of £14,000. However Ansbacher has decided to pull out of this market. It has already agreed to sell its UK operations to Leslie & Godwin, and the US side is to be sold before the end of the year.

Mr Fenhalls said that despite the disappointments of the first half, he was confident that Ansbacher would meet its profits targets for the full year because the trading position since the half-year had been strong.

He had now refined the group's strategy in order to concentrate on merchant and investment banking. This would include the newly formed Henry Ansbacher Ventures which was investing in stock market situations, using the group's growing cash surplus. It was an investor in Hoylake, the bid vehicle for Sir James Goldsmith's assault on BAT Industries.

These strategy changes resulted in the recent resignation of Mr David Hudson, the chief executive of Henry Ansbacher & Co. Mr Fenhalls, who has now assumed both posts, said that his strategy had the strong support of the Pargesa/GBL group which owns 62 per cent.

Reliant shows modest advance to £30,000

By Richard Tomkins, Midlands Correspondent

RELIANT, the USM-quoted builder of houses and cars, has reported a modest increase in pre-tax profits from £13,000 to £30,000 for the six months to March 1.

The figures do not include any contributions from Wiseoak and Belmont Homes, the two housebuilding companies that reversed into Reliant in May, nor the acquisition in June of the rights to manufacture the Metrocab taxi.

Reliant said the new management team that arrived with Wiseoak and Belmont was committed to developing the industrial side of the business as well as the housebuilding activities.

The Metrocab acquisition was evidence of this commitment, and was expected to bring substantial benefits to the industrial division. Meanwhile, a rationalisation programme was underway at the company's Tamworth, Staffs, base with the aim of cutting overheads.

Turnover was £6.17m (£6.57m). Earnings per share were 0.34p (0.2p).

John Beales static at £2.09m

PRE-TAX profits of John Beales, the underwear and leisurewear manufacturer and supplier of refrigeration equipment, rose just 1 per cent from £2.06m to £2.09m in the year to end-May 1989.

This came from turnover up 16 per cent to £30.4m (£26.7m). At the operating level profits increased 10 per cent from £2.04m to £2.23m. However, the pre-tax result was affected by a rise in net operating expenses to £1.61m (£1.34m) and there was an interest charge of £143,000 against £20,000 receivable last time.

Directors said the growth of the refrigeration division had been very satisfactory and a further acquisition was intended here. The textile division was trading strongly and current order books in the electrical division were full.

After tax of £585,000 (£661,000) earnings per 20p share were 28p (27.8p) and a proposed final dividend of 5.75p makes a total of 7.6p (6.3p) for the year.

There was also an extraordinary debit of £566,000 (nil) this time.

COMPANY NEWS IN BRIEF

GARTMORE AMERICAN *Securities' plans to become a* split capital investment trust have been approved. The net asset value on the valuation date was 205.9p and 19m new ordinary shares and 37m zero dividend preference shares both at 25p have been allotted on the basis of 1.059 ordinary and 2.059 preference per ordinary share held.

ANDAMAN RESOURCES (Third Market-quoted mineral explorer): Net losses £5,880 for six months to June 30 1989. Operating losses £23,251 (£6,033). Interest received £23,251 (£6,033) and tax £5,830 (nil).

KLEINWORT OVERSEAS Investment Trust: Net asset value 191p at June 30 against 164.9p a year earlier. Net revenue for six month period £1.13m (£1.03m) for earnings of 1.41p (1.28p) per share. Interim dividend 1.1p (1p).

MANSFIELD BREWERY: Annual meeting told that exceptional weather had helped beer sales to stay in line with previous year despite disposal of 21 pubs.

SMITH (WH) has agreed to sell the business equipment division of newly-acquired Sandhurst Marketing for some £5.5m. Buyer of the division is a new company formed by the existing management and Southern Business Group. The net assets included the assumption by WH Smith of around £12m of associated external borrowings.

WEST INDUSTRIES has acquired Amalfi Restaurants for a consideration of £585,000 to be satisfied by the issue of 1.3m West shares at 45p a share. A deferred consideration up to a maximum of £4m based on 50 per cent of seven times the average net profit of Amalfi for the years ending 1990 and 1991.

BET has acquired Ellis Leasing Company of the US and which trades as Able Equipment. The company, based in Virginia and with a turnover of $15m and net assets of $6m, rents out scaffolding, swing stage equipment, aerial work platforms and other contractors' plant.

UK COMPANY NEWS

High interest charges, heavy borrowings and a strong dollar hold back profits

BOC's £239m disappoints the City

By Vanessa Houlder

BOC, the industrial gases and healthcare group, yesterday announced an 8 per cent increase in pre-tax profits from £220.8m to £238.6m for the nine months to June 30.

Turnover in the period rose by 10 per cent from £1.9bn to £2.1bn, reflecting continued growth in the gas business. However, the profits were checked by a near-27 per cent rise in interest charges from £38.4m to £48.6m.

Borrowings, which are still held mainly in US dollars, rose from £607.3m to £802.1m, reflecting the acquisition of AmeriGas, a high level of capital expenditure and a stronger US dollar. At current exchange rates, borrowings are expected to fall in the last quarter by between £30m and £60m.

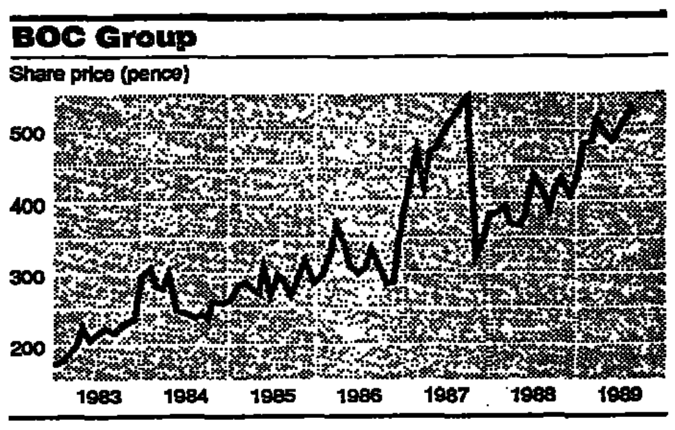
Gas and related products increased profits from £159.2m to £190.9m, after strong underlying growth worldwide with the exception of a dull performance from New Zealand.

Health care profits increased from £68.6m to £74.2m although there was slow demand for capital equipment in some health care markets. Glasrock, the former loss-making US home health care business, is expected to make a profit in the fourth quarter.

Special services and products "performed strongly" with profits rising from £28.5m to £33.1m.

The geographical breakdown showed a fall in pre-tax profit from £67.5m to £50.9m from the Americas. This was due to increased interest charges on its dollar denominated debt, the effects of SSAP 24 and Spectramed, a recently acquired medical equipment manufacturer which incurs costs in the US but makes most of its profits elsewhere.

After a fall in tax from £66.7m to £64.3m, earnings per share rose by 14 per cent to 35.22p (30.93p).



● COMMENT

In a repeat performance to that given at the time of the interim figures, these results disappointed the City, which reacted by shaving £5m off its full year profits forecast and 5p off the share price. But if it was the size of the interest charges that dismayed analysts last time round, this time the snag lay with the performance of the health care business. This is expected to be just a temporary blip, particularly if Glasrock soon moves into the black – although repeated disappointments on this score have made analysts wary. Elsewhere, the markets for gas have continued to be strong but looking ahead, analysts feel that some slow down is likely by the year end. That said, BOC has more contractual stability than most suppliers and it well deserves its reputation as a defensive stock. Assuming it makes pre-tax profits of £330m this year, the shares at 522p, have a fair rating of 10.5.

Revision lifts Bestwood deficit

BESTWOOD, the property, industrial and housebuilding group being investigated by the Department of Trade and Industry, incurred a retained loss of £3.68m in 1988 – higher than originally reported.

When the preliminary results were announced in March, the group revealed a retained loss of £1.94m, against £459,000 in 1987.

But the published accounts show an extraordinary charge higher than originally announced, mostly because of added costs or losses on the sale of Fleet Engineering and the closure of Bestwood Property Services and its subsidiaries.

The accounts said that although the Bestwood Property Services companies had recently been the subject of various sale agreements, none had been concluded and the businesses were being shut down. The total loss on sale and discontinuation of businesses was £2.6m, almost equal to the whole group's 1988 pre-tax profits of £2.61m.

Extraordinary items totalled £6.43m before tax relief, against £363,000 in the previous year. Other charges were: reorganisation expenses £1.02m; losses on investments £2.77m, including the sale of a residual shareholding in Aitken Hume, the financial services group, and abortive acquisition costs £30,000.

In June, the DTI launched investigations into Bestwood's affairs and dealings in the company's shares, and into the affairs of Atlanta Fund Managers, a securities dealing subsidiary of the group now closed.

Acquisitive FKB steps out on the takeover trail

By Edward Sussman

FKB GROUP, the sales promotion and marketing company, is to buy MHA Direct, a London direct marketing agency, for an initial consideration of £1.4m.

The deal follows last month's purchase of Product Development Partnership, a London-based product marketing consultant, for an initial £1.58m. Together, depending on performance, the maximum price tag for the two companies is £15m.

MHA made taxable profits of £280,000 in 1988 and had net assets of £262,000. PDP said it earned at least £320,000 in the year to June 30. Its 1988 net assets were £482,000

Mr Steven Smith, joint finance controller, said FKB still had other acquisitions in mind, especially in direct marketing and sales promotion. He said it would like to become one of the top five European players in direct marketing.

Last year, FKB made a string of acquisitions, primarily in the US, for a maximum consideration approaching £86m. They helped FKB more than double pre-tax profits in the year to March 31, with earnings per share up 41 per cent.

Mr Neil McClure, the finance director who spearheaded the aggressive US acquisition strategy, is to leave FKB at the end of this month.

BICC to receive £37.7m from sale of US business

By Clay Harris

BICC, the cables and construction group, is to receive $61m (£37.7m) from the sale of the connectors businesses acquired with the $177m purchase in May of BRIntec Corporation of the US.

The figure is $1.5m less than the provisional sale price announced in June, a difference BICC yesterday attributed to "a minor adjustment associated with getting into the details."

The net assets of the businesses were unchanged from $47.5m.

The connector businesses – Pyle International, Garry Electronics and General Connectors – made operating profits of $4.5m on sales of $85m in 1988.

They were sold to LPL Technologies. BICC said BRIntec's Brand-Rex cable interests were being integrated with its own cable businesses.

Betacom first half profit hit by spending downturn

By John Ridding

BETACOM, the telephone equipment company which came to the market in December, yesterday announced a sharp fall from £951,000 to £512,000 in first half 1989 pre-tax profits.

Mr Dennis Baylin, chairman and chief executive, said the downturn resulted from the decline in retail spending. Sales to its high street outlets, which include Dixons, Currys and Comet, had been severely affected by de-stocking.

But Mr Baylin added that "as far as I am concerned the performance has been excellent in view of the economic situation. It has been very hard out there."

The company had warned at the end of 1988 that the economic climate would affect its performance, and earlier this year brokers cut their forecasts for 1989 from £4.4m to £3.5m, compared with £2.6m earned last time.

The shares were unchanged yesterday at 45p, reflecting the fact that the decline was expected. However, the price remains well below the 82p at which shares were offered in December. The issue was undersubscribed because of poor market conditions and the coincidence of the issue with the British Steel flotation.

During the half year turnover declined from £6.88m to £6.7m and earnings per share fell from 2.9p to 1.1p. There is a maiden interim dividend of 1p.

Mr Baylin said sales were always greater in the second half and he expected profits to exceed the first half. The balance sheet remained strong with £3.5m in cash and Betacom retained its position in the retail market as second only to British Telecom.

The group is attempting to develop sales in its business and export markets. Mr Baylin said that "we are now close to finalising arrangements for the distribution of our products in Spain, Holland and West Germany."

In addition, he said the group expected a positive contribution from Answercall, which it acquired in August for £200,000.

Brunning heads for home as joint venture dissolves

By John Ridding

BRUNNING GROUP, the advertising and marketing company, yesterday announced that Mr Trevor Shonfeld, group chief executive, was leaving the company and that it was shelving plans for international expansion.

The group is dissolving its joint venture with Ketchum Communications, the US agency, only one year after it was set up.

Mr Shonfeld was the head of the team which took over the running of Brunning in 1986 and returned the group to profit. Brunning said that he had "energetically pursued the joint venture over the last 18 months."

Mr David Linnell, Brunning's non-executive chairman who is now assuming the role of executive chairman pending a review of strategy, said that Mr Shonfeld's departure reflected "a change of management style."

Mr Linnell said the joint venture had been set up with the aim of buying overseas agencies to build a large international group with Ketchum.

However, he said that "in the event we found it difficult to find the agencies we had hoped to and it became apparent that we were too small. We felt that it was best to concentrate on our core businesses and organic growth."

Analysts said yesterday that Brunning has been going through a difficult period. Earlier this year it lost a £3m prestige account with Toyota, the Japanese motor company. Over the past 12 months, its share price has fallen from 205p to yesterday's close of 127p.

According to Mr Linnell, the dissolution of the joint venture is by mutual agreement. Ketchum will purchase Brunning's shares in the joint venture and retain its 5.2 per cent stake in Brunning. The two companies will continue to represent each other's interests in the US and UK respectively.

Brunning will recoup the $1m (£613,000) that it put into the joint venture but which was not deployed. This financing was part of a rights issue launched in July 1988.

Mr Linnell said: "I know nothing about the group and its finances which would lead to a change in forecasts for the group."

The annual meeting has been postponed until October 17 and the dividend payment until October 27.

ADT pays £6m to tidy up a small part of an old historic jigsaw

By Clay Harris

ADT, the electronic security systems and car auction group, is continuing its corporate clean-up with an agreed bid for Carraun, a south London-based advertising services company.

The acquisition, which values Carraun at £5.96m, will be the first purchase by Bermuda-based ADT after a year in which it has sold all its worldwide cleaning and maintenance service businesses for some £220m.

However, Mr David Hammond, ADT finance director, said the transaction did not signal a move into a new sector. The only trading connection between the two companies was work done by PL Prints, a Carraun subsidiary, on T-shirts and sweatshirts for the ADT London Marathon.

"It's once again tidying up a small piece of the old historic jigsaw," Mr Hammond said. Carraun was demerged in 1982 from Hawley Group, as ADT was called until early last year. Its shares are traded on a matched-bargain basis.

ADT owns 2.37 per cent of Carraun. Holders of an additional 29.5 per cent, including ADT's Canadian associate, Henlys, have irrevocably committed to accept the 130p cash offer. In 1987 Carraun reported pre-tax profits of £774,000 on turnover of £11.1m; its 1988 results are due to be announced shortly.

After the deal is completed ADT's only disclosed stakes in other companies will be 35 per cent of Henlys and 21 per cent of Nu-Swift, the fire protection and detection group.

Yearlings

The interest rate for this week's issue of local authority bonds is 13¾ per cent, down ⅛ of a percentage point from three week's ago.

A full list of issues will be published in tomorrow's edition.

NEWS DIGEST

PSIT lifts profit 8% to £6.32m

IN THE YEAR ended March 31 1989 Property Security Investment Trust lifted its pre-tax profit by 8 per cent, from £5.83m to £6.32m.

Mr AR Perry, chairman, said the increase in activity continued throughout the year. Further properties which did not fit current requirements were disposed of and other investments acquired.

Acquisitions included a shopping centre near Sydney, Australia, and three supermarkets in the UK. At the end of the year the group's properties were 21 per cent offices, 19 per cent retail, 29 per cent business, and 31 per cent industrial.

Around 49 per cent were located in the south, 30 per cent in the Midlands, and 21 per cent overseas.

Earnings came to 5.68p (5.34p). The final dividend is 2.25p for a total of 3.75p (3.25p), and maintenance of that is forecast on capital to be increased by a one-for-five scrip.

Total revenue rose sharply to £14.69m (£10.84m) but much higher interest charges took their toll.

There were extraordinary credits of £2.96m (£2.98m).

Aitch Holdings shows progress

Aitch Holdings, the diversified fashion concern formerly known as Munton Group, returned operating profits of £424,000 for the half year ended May 31 on turnover of £13.04m.

The outcome compared with a loss of £85,000 for the six months to April 1 1988 and a loss of £523,000 for the 14 months ended November 30 1988. Turnover for the two periods totalled £6.33m and £14.72m respectively.

The directors said the much-improved figures reflected the rationalisation carried out by the new management since the merger with Munton last January.

For the half year a profit on the sale of a Hong Kong property was taken above the line as a £178,000 exceptional item. However, this was more than offset by a £529,000 surge in interest charges to £674,000 which left the group £72,000 (£165,000) in the red at the pre-tax level. Losses per share amounted to 0.21p (1.16p).

The directors said that despite the depressed condition of the retail fashion market in general, Aitch was experiencing strong demand across its range of brand names. They also added that the loss-making shirt factory in Belfast had been sold to Coats Viyella.

Metal Bulletin on target despite fall

Metal Bulletin's half year pre-tax profits to June 30 showed a reduction from £503,000 to £460,000. However, the interim report indicated that the rising trend shown last year, when profits rose by 18 per cent after being on a plateau for several years, was likely to continue.

The directors of this USM-quoted publisher of trade journals, surveys and statistical information, said 1989 was currently on target to achieve another year of record profits.

Turnover rose from £4.18m to £4.67m. Earnings per 10p share were slightly lower at 3.42p (3.95p) but the interim dividend is lifted from 1.85p to 2.1p.

McKay Securities improves to £3.22m

McKay Securities, the property investment and development company, announced an increase from £2.96m to £3.22m in pre-tax profits for the year to March 31.

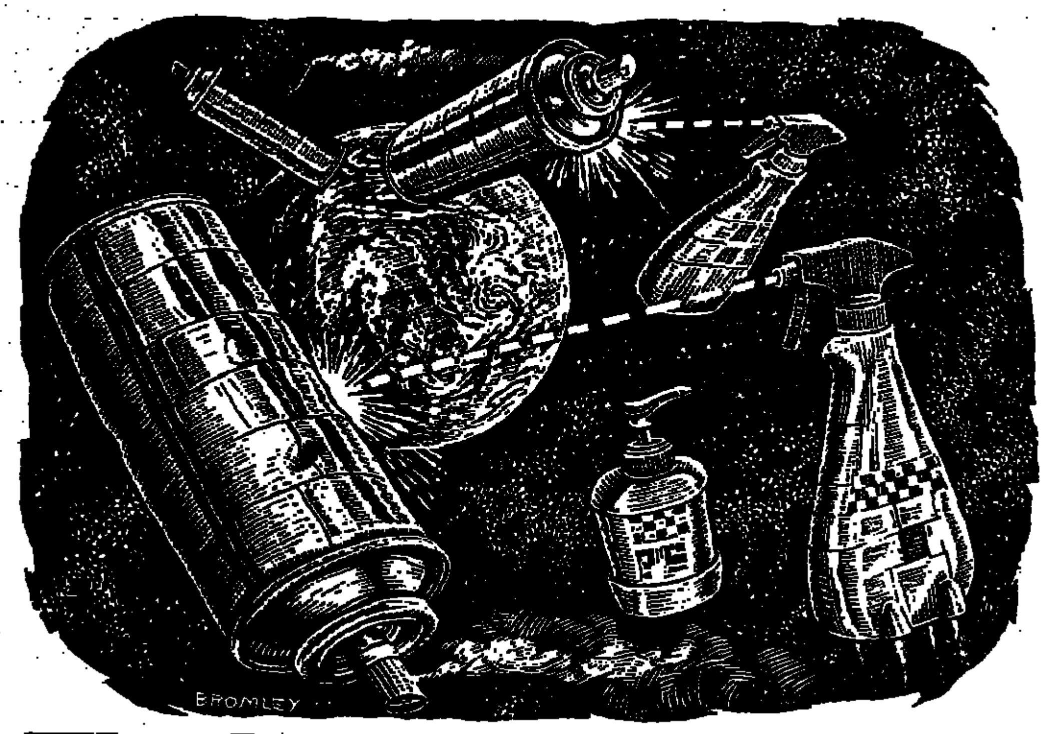
Gross rents and service charges receivable were £1.15m higher at £7.23m but direct property outgoings rose from £1.85m to £2.43m. Income from investment properties amounted to £4.79m against £4.23m. After tax of £902,000 (£792,000) earnings per 20p share came out at 9.9p (9.6p). A final dividend of 2.8p is recommended to make a total of 5.3p (4.8p).

Net asset value has risen from 220p to 263p per share and a directors valuation of the group's UK investment properties, carried out on March 31, showed a surplus of £10.99m, equal to an increase of 17.6 per cent over their book value immediately prior to the revaluation.

Fairway rises 19%

Fairway (London), a USM-quoted supplier of business and computer stationery, raised profits from £285,000 to £340,000 pre-tax for the first half of 1989. Turnover totalled £2.89m compared with £2.57m.

Earnings amounted to 2.61p (2.24p) and the interim dividend is a same-again 1p.



The long search for ozone-friendly sprays

Peter Knight looks at work being done on aerosols that will not damage the environment

Remember grandma's perfume atomiser with the cloth-covered rubber ball? You might just have been looking at the future of aerosols.

Ever since aerosols' traditional propellants, ozone-eating chlorofluorocarbons (CFCs), were found to be damaging the environment, makers of spray dispensers have been looking for alternatives. Although CFCs were banned from aerosols in the US as long ago as 1978, manufacturers have yet to find a device that can easily and safely deliver a wide selection of liquids inexpensively.

The most common is the simple hand-driven pump of the kind which grandma knew. This device, which has long been used to squirt window cleaner and liquid soaps, is now being used as an environmentally friendly way to deliver anything from windscreen ice remover to hair spray. But detractors point out that the plastic packaging is costlier than a tin-plated can and is less destructible.

Recycling is difficult because the pumps are not made to last. And customers often find the pump action tricky to use, such as when spraying lacquer on the back of the head.

So instead of these squeeze/squirt devices some designers suggest a container that is primed by hand instead of chemical propellant. There are two leading contenders. One design uses a small pump, similar to garden pesticide sprayers, to build up pressure in the can. The pump action has to be repeated before each spray.

Another prototype, such as the twist-and-mist can, uses a twisting action of the nozzle assembly to pressurise enough liquid for a short spray.

Both types demand a comparatively high level of engineering and some manufacturers doubt whether the public is ready to pump or twist.

Dorothy Mackenzie, managing director of Brand New, a marketing and design consultancy which specialises in green products, thinks otherwise. "People will not have too much of a problem with mechanical sprays providing their effectiveness is as close as possible to conventional aerosols," she says.

The easiest way to deliver a good spray without CFCs or a big redesign of the can's mechanics is to use other common liquid propellants, such as butane and propane. Most of the so-called ozone-friendly aerosols on supermarket shelves contain such gases. But both butane (lighter fuel) and propane (bottled gas) are highly flammable. While reasonably safe to use with water-based products, they are dangerous with solvents. The containers also have to be pressurised which can lead to an explosion if they are heated.

Manufacturers are hoping that chemical companies will produce safer alternatives to the liquid gas propellants, some of which also contribute to the greenhouse effect. Although companies such as ICI of the UK, and Du Pont of the US, are putting effort into the search for alternatives, it will be some time before these are available commercially.

CFCs, butane and propane are liquid gases that mix with the contents of the can to provide a near-constant pressure. This means the canister can be tilted or used upside down without loss of effectiveness.

Although safer gases, such as nitrogen and compressed air, can be used as propellants, they demand canisters that are mechanically more complicated. This is because the compressed gases do not mix with the contents but lie above it and force it through a flexible pipe that runs from the nozzle to the bottom of the can. If the can is used upside down, the gas rises and escapes through the nozzle, leaving the canister without pressure.

Effective use of nitrogen and compressed air with a broad range of products demands a redesign of the nozzle. The new valve has to prevent the compressed gas escaping when the can is mishandled. France's Evian water company, for example, produces a small nitrogen-driven can of its water as a cosmetic. Its Swiss-designed nozzle is spring-loaded to ensure a cut-off.

A new UK-made nozzle, called Atmosol, promises to overcome the common difficulties of using compressed gases, including that of decreasing pressure as the contents is used. The Atmosol device does this by creating the necessary pressure directly behind the nozzle, which, says Atmosol, gives a constant and effective spray throughout the can's life.

Another design called Envirospray uses carbon dioxide as a propellant. The gas produces a controlled reaction in the can to keep the pressure constant. The Atmosol design can also be used with carbon dioxide

A completely different approach is to separate the can's contents, and therefore the nozzle, from the propellant. Bi-can, made by CMB Packaging, the Anglo-French company, consists of a conventional tin-plate can but inside it the contents is stored in a plastic bag surrounded by propellant.

The propellant provides a constant pressure on the bag. When the nozzle is squeezed the contents escapes. The bag-in-can approach is claimed to be environmentally friendly because the propellant, which can be an innocuous gas, is contained in the can and does not escape with the contents.

The Bi-can will dispense a wide range of products, from hairgels to industrial greases in streams, jets or sprays. But it is more costly than conventional aerosols, the filling procedure is more complicated and environmentalists condemn it as overpackaging.

Bernard Frutin, a Scottish inventor who runs a company called Rocep Pressure Packs, has developed a canister that uses gas-driven pistons to propel the contents.

He inserts two pistons inside the can below the product. Beneath them goes a very small quantity of propellant. When the release valve is pressed the propellant pushes up the pistons, forcing out the product. Two pistons are needed to prevent the propellant leaking into the contents.

Frutin uses an HCFC gas, which is a CFC with hydrogen that will limit the activity of the ozone-eating chemical to seven years instead of the average of 75 years. He hopes to find a more benign gas.

A US design, called Exxel, dispenses with propellants altogether. Exxel instead uses the elasticity of distended natural rubber to provide a spray or jet. A malleable plastic bottle is pleated, or crushed, until all the air escapes. It is then treated and covered with a natural rubber sleeve. Then this compressed rubber-covered bottle is placed inside another, bigger, rigid bottle leaving plenty of space for expansion. The compressed bottle is filled with the product, which expands the rubber, before it is sealed with a nozzle appropriate to the contents.

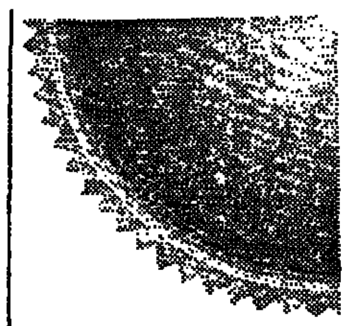
When the button is pressed, the expanded rubber contracts and forces the contents through the nozzle. The principle is similar to a balloon deflating and forcing out the air inside.

Osmond Aerosols of Scunthorpe, UK, has licensed Exxel and will be using it by next year. Mike Swann, Osmond's marketing director, admits that the packaging is more expensive than conventional aerosols, but, he says, it is both safe and green.

Other aerosol manufacturers are wary of the Exxel design because it relies on natural rubber, the price and availability of which is difficult to estimate in advance.

"The technology will be available for the complete eradication of CFCs within two years, but I don't see any of the more revolutionary processes dominating," says David Smith, head of environment services at PA Technology, a London consultancy.

"While the barrier pack (such as Bi-can) technology is available now, it's a matter of getting costs down to something sensible. I think this will take about two years."



WORTH WATCHING

Edited by
Della Bradshaw

Ready for a place in the sun

THE SUMMER of '91 looks set to be a breakthrough season for sun-tan lotions. By then manufacturers should be reaping the benefits of efforts to produce melanin commercially. This is the bio-polymer which occurs naturally in humans when they lie in the sun.

At present industrial melanin is only available in small quantities for laboratory research, and is produced from the ink of cuttlefish. But Biosource Genetics, of California, has developed a way of producing melanin in "kilogram quantities." The process involves growing a melanin gene in a bio-reactor. The substance is then incorporated into a microsponge developed by another California company, Advanced Polymer Systems.

The microsponges can be used in sunscreens and cosmetics, where they protect the skin by absorbing the sun's ultra-violet rays. The material could be used in sunglasses or windscreens or as a protection for fabrics or paints exposed to the sun.

The house that guards itself

IMAGINE a house which checks that the doors are locked at night, automatically draws the curtains at dusk and even keeps a camera trained on the sleeping infant.

Although reminiscent of a scene from Mary Poppins, it will be a reality for two families in Epsom, Surrey, from next spring. They are to be housed in two chalet bungalows built under an industry-sponsored programme called Oracle. Oracle's plan is to build two "intelligent" homes, using the most advanced techniques available for security and energy saving.

Still to be developed is a method of switching electric equipment on or off by telephoning from outside the house. So anyone who worries about whether the oven is still switched on will have to wait a little longer.

Polyurethane goes 'green'

GETTING RID of the chlorofluorocarbons (CFCs), which are held responsible for destroying the earth's ozone layer, has now become one of the chief worries of the building industry.

The latest process to do away with such substances is polyurethane production. Polyurethane is employed as an insulation material for flat roofs and cavity walls.

It has been in use for the past 50 years and has been produced by blowing bubbles of CFCs into a pot of chemicals, which bubble up and harden. The CFCs dissipate into the atmosphere leaving bubbles of air, which make the material a good insulator.

A process developed by Thanex of West Germany, bubbles ordinary air, coupled with a non-CFC substance, through the chemical bath, to produce polyurethane of the same quality as that made by traditional methods.

Halting computer infections

THE FEAR of computer viruses is spreading almost as quickly as the viruses themselves. As the pieces of rogue software continue to multiply through computer disks, destroying data in their path, more companies are facing the fact that they have to protect their data.

One way of preventing the spread of viruses is to freeze the computer system when an unauthorised program tries to load itself into the computer memory or copy itself into another program — the two things the virus has to do to breed.

A system which does that, comprising a software package and a card which plugs into an IBM or IBM-compatible personal computer, is sold by the London-based MBA Computer Group. It uses authorisation passwords to prevent viruses infiltrating a system.

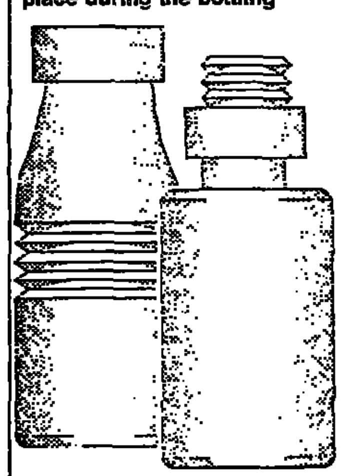
So, when software tries to load itself permanently into the memory, the process is frozen until a supervisor checks the program.

The evidence is in the bottle

THE TAMPER-PROOF package has yet to be invented. But the search is on for packages which show shoppers when they have been interfered with.

A US development enables the consumer to detect a spoiled container simply by squeezing it. It can be used to package anything from baby food to pills.

As the cap is screwed in place during the bottling



process, nitrogen is pumped into the container, using a machine developed by Ellis Reyner of New Jersey.

In basic form the development relies on a plastic concertina-shaped insert in the container lid. When pressurised, the plastic insert becomes rigid. But, if it is tampered with, the pressure is reduced and the plastic becomes pliable.

A more complicated process builds the concertina into the body of a plastic bottle. If tampered with, the pleated section of the bottle collapses, making it shorter than its neighbours.

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COMMODITIES AND AGRICULTURE

Picking up from where Goering left off

By Christine Griffiths

HERMANN GOERING may be long dead but his ghost has come back to haunt the nickel industry.

Faced with a wartime shortage of the metal, the Nazi Luftwaffe chief ordered his scientists to invent a nickel-free steel alloy to keep his bombers and fighters airborne. Nearly 50 years later, spurred by the high cost of nickel, a Derbyshire steel founder has resurrected the formula and improved on it.

Mr Dan Taylor, owner of Auto Alloys (Foundries), calls the result Mean (manganese-enhanced austenitic nitrogen) steel, and is using it in the manufacture of his company's turbo-charger casings and heat treatment grids.

Mr Taylor claims Mean steel products cost more than a third less than nickel-alloy material, are stronger, have better corrosion resistance and can withstand greater extremes of temperature. And these attractions have not been lost on potential buyers from the UK, Japan, Germany and Australia, who have bombarded Mr Taylor with enquiries.

The only group which does not seem impressed is, understandably, the nickel industry, which, for the past 18 months has been enjoying unprecedented high prices – up from less than $5,000 a tonne at the end of 1987 to a peak of $22,000 last year, and still close to $13,000 a tonne.

"If these steels were really likely to replace nickel-alloy steels, it would have happened years ago," snorts the Nickel Development Institute. It is sceptical of the superior qualities claimed for manganese-nitrogen steel and questions whether there is sufficient interest to warrant commercial production.

Mr Mike Kurtanjek, head of mining research at James Capel, the London stock broker, is less dismissive, although he does not expect widespread substitution of nickel. He says Auto Alloys is addressing a "small volume, high value market," and that Mean steel poses a real threat in specialised applications.

Mr Taylor recognises that the steel using industry's natural resistance to change may hold back demand for his novel product, but that does not worry him unduly.

His main concern at the moment is that now he will have to give up a minority share in his company to finance the development of Mean steel to "its logical conclusion."

Christine Griffiths is assistant editor of the FT World Commodity Report

Expected copper shortage may lead to soaring prices

By Kenneth Gooding, Mining Correspondent

A CHORUS of warnings about a potential shortage of copper and consequent higher prices has been coming from analysts this week.

"As fourth-quarter demand comes into focus, a copper shortage is expected to become apparent," says Mr Nick Moore of Ord Minnett's mining team.

Mr Tony Hayes, head of W I Carr's metals and mining analysts, says: "As we are facing the seasonally strong period of the year from the fall through to the spring of 1990 with low inventories and consumption already ahead of production, there is a high probability that the price of copper is set to move to new all-time highs."

At Shearson Lehman Hutton, analyst Mr Jim Lennon, comes to a similar conclusion. "We expect a strong upward pressure on prices to re-emerge during September when demand picks up." However, Mr Lennon suggests that from November onwards weakening demand is likely to put downward pressure on prices.

In 1990 "prices should continue to be volatile around an essentially downward trend," he adds.

Mr Lennon says, though, that his forecast assumes that there are no further interruptions to copper supplies.

All the analysts point to the current serious problems in supply. These include the fact that Bougainville in Papua New Guinea (output 180,000 tonnes of copper a year) has been closed since May 15 because of attacks by disaffected land owners. Repair work has begun but Mr Lennon says: "We believe shipments from the mine are unlikely to re-start before the end of the year."

Analysts expect the strike which began at the Highland Valley mine in Canada (another 180,000 tonnes a year facility) to continue into September. And Peru's 70,000-strong miners' union has called a strike to start on Monday. The indications are that this will be given strong support – at least at the outset. Peru produces more than 5 per cent of the non-communist world's copper.

The latest potential trouble spot is Chile where a drought is reducing water supplies and causing power cuts which might reduce that country's output – it contributes 21 per cent of the non-communist world's copper.

The copper price eased back in July but Mr Hayes at W I Carr suggests that this resulted from the forward selling of 144,000 tonnes of metal on behalf of Mexicana De Cobra, as part of the Mexican group's recent $210m financing package.

He adds: "The Japanese have allowed their inventories of refined copper to fall too low and could now start to be affected by the continuing supply problems... The price of copper is once more set to move up."

Danes regain UK pig market lead

By Hilary Barnes in Copenhagen

DANISH PIG producers have won back their position as leading non-British suppliers to the UK market, which they lost to the Netherlands last year.

In the first five months of this year Danish exports to the UK increased from 44,800 tonnes last year to 49,800 tonnes, while supplies from the Netherlands slipped from 45,300 to 43,600 tonnes, according to the Danish producers.

After several disappointing years, Danish pig farmers are enjoying a welcome recovery, with steep increases in exports to most markets.

Total pigmeat exports in the first half year increased by 22.8 per cent to DKr6.1bn (£512m), according to the official trade figures.

The farm gate price of pigmeat has been raised no less than 11 times since the New Year, increasing by DKr3.10 to DKr14.20 per kilogram.

This matches price rises in other European countries, but the Danes have enjoyed a further advantage, as production did not fall in 1988 and has been maintained in 1989. In most continental countries, although not in the UK, production has declined this year.

The fact that there are now relatively few big farms accounting for a high proportion of total pig production is thought to explain the new stability of production through bad times as well as good, said Mr Niels Joergensen, of the Association of Danish Meat Packers.

India's search for self-sufficiency

K.K. Sharma reports on moves to ease continued food shortages

INDIA'S record production of 172m tonnes of foodgrain in 1988-89 has not proved sufficient to feed its growing population.

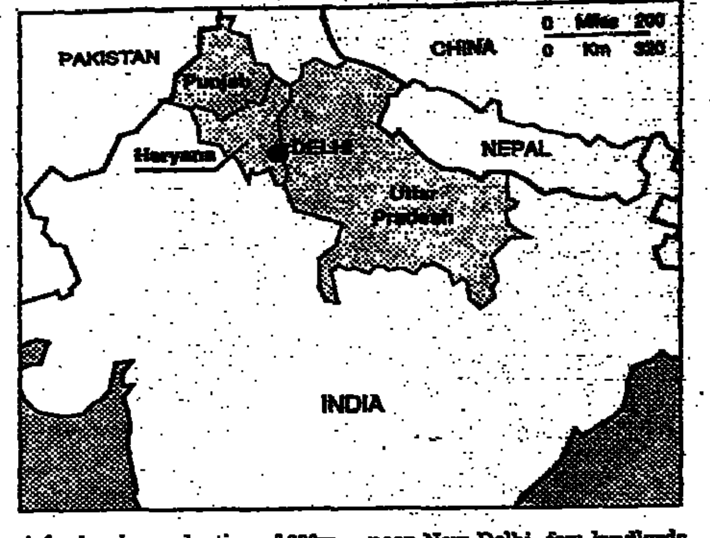
Because of an unexpectedly poor procurement effort by Government agencies, which bought only 8.3m tonnes of wheat (compared with the target of 10m tonnes) in the past couple of months, food stocks are again low.

Although the high production achieved last year means that Indian agriculture has finally broken out of a long period of stagnation, agricultural experts recognise that something like a second Green Revolution is needed if the country is to become self-sufficient.

In spite of the record output in 1988-89, India has decided to import at least 1m tonnes of rice and it is possible that purchases of wheat will also be made abroad. Food stocks at present are barely sufficient to keep the public distribution system of ration shops going and the Government cannot allow shortages to arise, particularly in an election year.

The Ministry has, therefore, worked out a strategy that will make it possible to increase grain production by 4m to 5m tonnes annually for the next three years. Hopes are that a production of 180m tonnes will be achieved in the next couple of years and that output will be 200m tonnes by the turn of the century.

Even this rapid growth may not be enough to keep India's fast-rising population adequately fed. Because the country's birth control programme has not made the progress expected of it, the population is growing at the alarming rate of 2.2 per cent a year. By the turn of the century, there will probably be more than 1bn Indians.



A foodgrain production of 200m tonnes will barely be enough to feed them.

Until longer-term measures can be worked out to deal with the problem, India's Ministry of Agriculture has drawn up a short-term strategy to increase grain production. But by and large, this will depend mainly on traditional methods.

A "special action plan" drawn up in consultation with the state governments, for instance, requires the evolving and transmitting of scientifically viable technology packages for rice and wheat in an intensive manner through what are known as "extension personnel" specially trained for the purpose.

The basic aim of the special action plan is to provide high-yielding varieties of seeds, appropriate fertilisers, pesticides and herbicides.

Although the extension scheme has been used for more than two decades, many experts have doubts about its effectiveness. Even in farms near New Delhi, few landlords have ever heard of the extension workers, let alone seen them or received assistance and advice from them.

It was through such inputs that the first Green Revolution in India was achieved in the 1960s so there is really nothing new in the strategy to be adopted in the next three years.

The plan also calls for increased flows of short-term credit through the co-operative system and commercial banks to farmers. Co-operatives have been used for years and farmers are reluctant to use commercial banks because of complicated procedures they use.

Another part of the plan is the effective management of the major and minor irrigation projects in selected districts to increase water-use efficiency. Ground water is to be utilised effectively through the supply of electricity and diesel engines to run irrigation pump sets.

Again, this approach to improving irrigation is frequently stated in programmes to raise production. Yet farmers have repeatedly complained of their inadequate implementation.

The poor early monsoon in the key food bowl of the country in the north-west (comprising Punjab, Haryana and eastern Uttar Pradesh) was accompanied by complaints of the erratic supply of electricity to run tubewells.

Faulty working of irrigation schemes could lead to a fall in production this year rather than an increase.

Finally, the action plan calls for strengthening of the market system so that surpluses generated are absorbed at district level and the Government's procurement agencies can function effectively to bolster the country's stocks.

The agencies in the summer months failed to compete with private traders who functioned effectively in the north-western states by offering higher prices to farmers than the Government's agents, who are authorised to offer only the minimum support price.

The traders are thought to have indulged in speculative buying in the hope of higher prices later as well as buying to keep the expanding food processing industry in the country supplied with raw materials. The Government is not expected to raise minimum prices sufficiently to compete with traders because of the need to keep inflationary forces under control.

The special action plan may thus not result in the expected higher yields of rice and wheat. Reliance on traditional methods combined with a rapidly-growing population could, therefore, lead to shortages in spite of the rise in production, particularly in years of drought.

Comex prepares to fight for its place in the futures market

By Deborah Hargreaves in Chicago

NOW IS an inauspicious time to be entering the futures industry, but Mr Arnold Staloff, who will take over as president of New York's Commodity Exchange on August 20, is excited at the prospect.

As the futures industry takes a general look at itself in the wake of the Chicago indictments for alleged futures fraud and the inquiry into trading activities on New York's floor, Mr Staloff believes Comex will come out well.

"The exchange has been very diligent in its regulatory process over the past few years, which has resulted in substantial fines and is indicative of its conscientious attitude towards the public," he says.

Comex's "mishaps" in recent years have led to significant changes at the exchange, not only to solve its problems, but also to make it a stronger market place, he stresses. Problems with the exchange's clearing system forced it to close early for several days two years ago and the exchange still remembers the collapse of one of its clearing firms in 1978.

If Comex is to continue to grow in the global futures market place, it needs to diversify out of its core metals products. However, the exchange's past attempts at diversification have failed miserably.

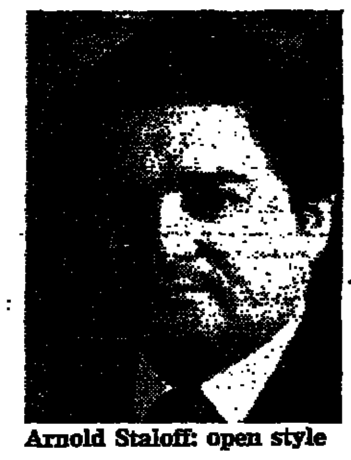
Mr Staloff brings new product experience from the Philadelphia Stock Exchange where he was in charge of product development. One of his interests is in the blurring distinction between securities and futures products.

In Philadelphia the recent launch of index participations – baskets of stocks similar to stock index options – is a product on the borderline between the two markets. Indeed, the Commodity Futures Trading Commission, the futures industry regulator, has challenged in court the product's designation as a securities product.

Mr Staloff says he'll be looking at new products as well as new ways of trading and other innovations.

"I have an open and liberal style in new ideas and I like to do exciting and fun things," he says.

He will have his work cut out. Comex has found little to get excited about this year as the metals markets have remained stubbornly stable and the volatility on which the futures markets thrive has almost disappeared.



Arnold Staloff: open style

Mr Staloff stresses that he will not be looking at diversification for its own sake. "But we should be reviewing instruments that are counter-cyclical so you even out the peaks and troughs."

In addition, he is also a believer in automation and will help guide the Comex through its own decisions on electronic trading.

Comex has been considering joining the Chicago Mercantile Exchange's Globex screen trading system and Mr Staloff will discuss this with the exchange's executive committee, but says he does not want to rush into anything.

Equally, he is cautious about the chances of a merger between all five New York futures exchanges. "From an economic standpoint it makes sense, but you are not dealing with logic, you are dealing with emotions and politics."

The five exchanges face a critical need to find a more spacious trading floor to house their overcrowded product mix. Constraints on space are becoming more serious, according to Mr Staloff, and this could force some sort of decision soon.

Mr Staloff will not be the only new addition to the Comex leadership. Mr Bob Fink took over as chairman last month after the resignation of Mr John Hanemann. Both men will face the difficult task of reinforcing the exchange's image in the international industry amid heated competition and the fall-out from the massive FBI probe in Chicago.

Winnipeg futures volume falls by 7%

TRADING volume at the Winnipeg Commodity Exchange, Canada's leading agricultural futures market, fell 7 per cent from 1987-88 levels in the year to July 31, writes David Owen in Toronto.

In 1988-89 1.51m lots changed hands, down from 1.62m in the previous year, when trading was the busiest for 45 years.

July turnover fell 34 per cent from 1988 levels, with barley and wheat trading registering particularly sharp declines. Year-ending open interest was down 40 per cent at 53,337 lots.

Canola (rapeseed) futures was the most actively traded contract, at more than 745,000 lots. The fastest growing contract was oats futures, which registered a year-on-year volume increment of 28 per cent.

WORLD COMMODITIES PRICES

LONDON MARKETS

DOLLAR STRENGTH helped the London Metal Exchange's sterling-denominated copper market to edge higher yesterday, but the same factor brought a minor decline in the dollar-quoted tin contracts. With background fundamentals remaining mildly bullish – a list of production disruptions outweighing an underlying supply/demand surplus – the cash copper price gained £7.50 to £1,600.50 a tonne. But cash tin, already close to a life-of-contract low, fell $5 to $9,245 a tonne. Cocoa and coffee prices ended little changed after trading narrowly, but sugar futures were boosted by further unconfirmed talk of Indian buying. Not all traders were convinced, however. "Nothing is confirmed and any market rise seems to be put down to Indian buying," said one. "We would expect India to hold a formal tender if it wanted sugar."

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.60-4.70z	+.125
Brent Blend	$16.80-7.20	-.075
W.T.I. (1 pm est)	$18.20-8.25z	+0.10
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$190-192	+1
Gas Oil	$150-151	+2
Heavy Fuel Oil	$80-82	
Naphtha	$149-151	+1.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$365.50	
Silver (per troy oz)♣	517c	+4
Platinum (per troy oz)	$481.50	-3.85
Palladium (per troy oz)	$135.25	+0.5
Aluminium (free market)	$1745	+10
Copper (US Producer)	118⅝-119	
Lead (US Producer)	39.5c	
Nickel (free market)	585c	
Tin (Kuala Lumpur market)	24.57r	+0.07
Tin (New York)	424.5	
Zinc (US Prime Western)	81⅝c	
Cattle (live weight)†	116.18p	+1.20*
Sheep (dead weight)†	150.98p	+0.57*
Pigs (live weight)†	88.79p	+4.22*
London daily sugar (raw)	$349.80t	-0.40
London daily sugar (white)	$494t	-2
Tate and Lyle export price	£330.5	-0.5
Barley (English feed)	£104	
Maize (US No. 3 yellow)	£130.5	-0.5
Wheat (US Dark Northern)	£122.5t	+0.5
Rubber (spot)♥	57.00p	-0.25
Rubber (Sep)♥	59.50p	-0.25
Rubber (Oct)♥	60.00p	-0.25
Rubber (KL RSS No 1 Sep)	246m	-1
Coconut oil (Philippines)§	$475t	-10
Palm Oil (Malaysian)§	$302.5	
Copra (Philippines)§	$305	-10
Soyabeans (US)	$163w	
Cotton "A" Index	83.00c	+1.00
Woollops (64s Super)	603p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Dec. z-Sep. x-Jul/Aug. t-Aug/Sep. v-Aug/Oct. w-Oct. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Sep	870	872	872 861
Dec	928	928	932 920
Mar	897	896	900 890
May	902	903	902 895
Jul	915	914	913 909
Sep	928	928	927 920
Dec	949	952	950 945

Turnover: 5808 (5808) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 8 1076.45 (1077.12) :10 day average for Aug 9 1070.02 (1070.05)

COFFEE £/tonne

	Close	Previous	High/Low
Sep	764	767	771 782
Nov	778	777	780 770
Jan	796	796	796 788
Mar	813	814	816 809
May	834	834	840 832
Jul	860	860	863 858
Sep	884	886	884

Turnover: 1800 (4145) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 9: Comp. daily 70.88 (70.87). 15 day average 72.24 (72.60)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Oct	312.60	309.40	314.40 308.00
Dec	302.00	298.00	297.00
Mar	291.60	289.60	294.00 286.60
May	287.00	284.00	286.00 283.00
Oct	272.20	272.00	273.00
White	**Close**	**Previous**	**High/Low**
Oct	413.00	409.00	413.00 408.00
Mar	364.30	360.00	363.00 359.00
May	361.30	357.00	360.00 358.00
Oct	357.30		353.00

Turnover: Raw 8735 (3651) lots of 50 tonnes. White 518 (1269).
Paris- White (FFr per tonne): Oct 2545, Dec 2400, Mar 2330, May 2315, Aug 2305, Oct 2275.

CRUDE OIL $/barrel

	Close	Previous	High/Low
Sep	16.62	16.54	16.64 16.47
Oct	16.62	16.54	16.65 16.49
Nov	16.60	16.58	16.60 16.51
IPE Index	16.46	16.31	

Turnover: 5380 (6577)

GAS OIL $/tonne

	Close	Previous	High/Low
Aug	151.00	150.25	151.75 150.00
Sep	148.25	146.50	148.50 146.00
Oct	148.00	146.00	148.00 145.75
Nov	148.75	146.50	149.00 146.75
Dec	148.75	147.50	149.75 148.00
Jan	148.00	146.00	148.00 146.75
Feb	144.50	143.50	144.50
Apr	142.25	142.00	142.25 142.00

Turnover 6463 (10569) lots of 100 tonnes

WOOL

There is no important change in the world wool market. The trade is buying just over half the Australian wool offered, with the rest going to the wool corporation at support prices. Bradford's annual break is in progress with mills closed for production purposes. But as holidays end, interest is showing signs of revival. With wool prices static attention is fixed on currencies. The Australian dollar has strengthened, and after political upsets the same applies in New Zealand. Wool costs are consequently rising again, and in Bradford the move is assisted by some new business, lifting top prices back to their basis two weeks ago.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 7,000 tonne
Cash	1752-4	1740-5	1745	1745-7		
3 months	1757-8	1748-50	1760/1750	1750-2	1757-8	31,626 lots
Copper, Grade A (£ per tonne)						Ring turnover 14,550 tonne
Cash	1600-1	1592-4	1598/1595	1596-7		
3 months	1594-5	1586-7	1595/1583	1588-90	1593-4	72,633 lots
Lead (£ per tonne)						Ring turnover 8,675 tonne
Cash	434-6	435-7	438	438-9		
3 months	426-7	425-6	434/427	428-9	427-8	9,958 lots
Nickel ($ per tonne)						Ring turnover 798 tonne
Cash	12650-700	12650-700	12700/12650	12650-75		
3 months	11900-50	11925-75	11950/11850	11950-2000	11900-50	5,435 lots
Tin ($ per tonne)						Ring turnover 685 tonne
Cash	9240-50	9240-60	9240	9240-50		
3 months	9290-300	9290-310	9310/9280	9300-10	9280-90	5,328 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 18,100 tonne
Cash	1715-8	1680-90	1715/1695	1700-5		
3 months	1613-5	1585-90	1618/1603	1605-8	1615-8	11,241 lots
Zinc ($ per tonne)						Ring turnover 6,475 tonne
Cash	1630-5	1615-25	1620	1620-5		
3 months	1557-8	1537-40	1560/1545	1540-50	1555-65	7,491 lots

LME Closing £/$ rate:
SPOT: 1.6190 3 months: 1.5590 6 months: 1.5783 9 months: 1.5640

POTATOES £/tonne

	Close	Previous	High/Low
Nov	149.0	137.0	137.0 135.0
Apr	206.8	197.0	207.5 195.0
May	235.0	218.5	

Turnover 561 (380) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Oct	130.50	130.00	
Dec	131.00	130.50	

Turnover 0 (95) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Aug	1440	1434	1440 1434
Sep	1498	1492	1498 1492
Oct	1568	1554	1568 1555
Jan	1590	1577	1590 1580
Apr	1620	1606	1620 1610
BFI	1383	1381	

Turnover 252 (135)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Sep	106.70	107.20	107.00 106.70
Nov	110.50	111.00	110.65 110.40
Jan	113.75	114.30	113.80 113.70
Mar	116.60	117.30	116.95 116.65
May	119.60	120.30	119.75
Jun	121.85	122.20	121.85 121.60
Barley	**Close**	**Previous**	**High/Low**
Sep	103.00	102.85	103.00 102.95
Nov	107.00	106.85	107.00 106.90
Jan	109.50	109.65	109.50
Mar	112.05	112.20	112.00

Turnover: Wheat 253 (277), Barley 131 (36).
Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low
Feb	112.0	113.5	
Apr	113.5	114.5	
Jun	112.8	114.5	

Turnover 0 (0) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	365¼-365¾	225¾-226¼
Opening	364½-365	224½-225
Morning fix	365.15	225.082
Afternoon fix	364.60	225.507
Day's high	365¼-365¾	
Day's low	363¾-364¼	

Coins	$ price	£ equivalent
Mapleleaf	376-381	232-235
Britannia	376-381	232-235
US Eagle	376-381	232-235
Angel	376-381	232-235
Krugerrand	364-367	225-227
New Sov.	86-87	53-53¾
Old Sov.	86-87	53-53¾
Noble Plat	487.25-495.00	301.40-306.20

Silver fix	p/fine oz	US cts equiv
Spot	318.25	515.90
3 months	329.40	527.35
6 months	340.15	535.15
12 months	360.70	560.10

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Nov	Sep	Nov
1650	121	129	7	26
1750	50	70	35	65
1850	14	32	98	125
Copper (Grade A)	**Calls**		**Puts**	
2450	155	181	17	104
2550	88	133	47	152
2650	40	85	100	210

LONDON FOX TRADED OPTIONS

Coffee	Sep	Nov	Sep	Nov
700	64		1	
750	23	69	10	42
800	4	46	41	68
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
800	69			
850	26		7	
900	4	67	35	39

US MARKETS

IN THE METALS, the precious metals were quiet, mainly following the US dollar with gold rallying on the close, reports Drexel Burnham Lambert. Copper was marginally higher on scattered short-covering. Crude oil remained firm against the dollar as the market held support levels. Heating oil derived support from a last-minute squeeze on the expiring August London gas oil contract. Cocoa was mainly featureless with light short-covering holding prices firm, coffee fell as short-covering ran into origin selling and sugar rallied on mostly local activity as the market held yesterday's lows and broke near-term resistance. Live cattle futures were mixed with a steady cash market counterbalanced by an overbought situation. Live hogs were lower in response to easier cash prices and expectations of an increase in marketings. Pork bellies eased as stops were hit in the February contract and as cash prices fell. Corn was weighed-down by a large crop estimate from one source in an otherwise narrowly-traded market. Wheat was mostly better as a result of routine tender business.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	366.9	368.2	367.2	364.8
Sep	368.1	367.7	0	0
Oct	370.0	369.6	370.2	367.6
Dec	373.9	373.6	374.2	371.7
Feb	377.7	377.4	377.4	376.8
Apr	381.5	381.2	380.0	380.0
Jun	385.2	385.0	384.3	384.3
Aug	388.9	388.8	0	0
Oct	392.6	392.6	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Sep	484.7	485.7	0	0
Oct	487.7	488.7	488.3	483.5
Jan	491.2	492.2	491.0	486.5
Apr	494.7	495.7	494.5	492.0
Jul	497.9	499.2	497.0	497.0
Oct	500.9	502.7	501.0	501.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	515.5	515.6	0	0
Sep	518.5	518.8	521.0	515.5
Oct	522.4	522.7	0	0
Dec	530.5	530.8	532.5	527.5
Jan	533.7	534.0	0	0
Mar	541.7	542.0	543.5	539.0
May	549.3	549.8	549.0	548.0
Jul	557.3	557.8	559.0	558.8
Sep	565.3	565.8	565.0	565.0
Dec	576.7	577.0	578.0	578.0

INDICES

REUTERS (Base: September 18 1931 = 100)

Aug 8	Aug 7	mnth ago	yr ago
1895.5	1904.8	1926.1	1880.2

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	127.97	127.94	128.06	131.32
Futures	128.62	128.57	128.46	134.31

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	110.95	110.70	111.20	111.20
Sep	110.70	110.10	111.30	110.30
Oct	109.80	109.20	0	0
Dec	108.00	107.50	108.80	107.70

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	18.16	18.12	18.28	18.03
Oct	17.94	17.86	18.04	17.75
Nov	17.86	17.73	17.94	17.67
Dec	17.77	17.67	17.90	17.62
Jan	17.73	17.61	17.75	17.56
Apr	17.63	17.49	17.66	17.63
May	17.60	17.46	17.60	17.57
Jun	17.59	17.44	17.59	17.59

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	4925	4858	4965	4830
Oct	4995	4924	5030	4915
Nov	5060	4996	5100	4990
Dec	5140	5071	5170	5070
Jan	5175	5101	5190	5105
Mar	4925	4856	4925	4925
Apr	4750	4681	4750	4750
May	4550	4586	4550	4550

COCOA 10 tonnes; $/tonnes

	Close	Previous	High/Low	
Sep	1295	1300	1289	1278
Dec	1322	1330	1327	1309
Mar	1323	1324	1325	1309
May	1330	1331	1330	1314
Jul	1345	1347	1335	1335
Sep	1360	1361	0	0
Dec	1383	1387	1377	1371

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	82.44	83.03	83.20	82.10
Dec	82.97	83.82	84.10	82.85
Mar	85.66	86.55	86.70	85.65
May	87.74	88.60	88.80	87.60
Jul	90.13	90.40	90.75	89.50
Sep	92.75	92.25	92.25	92.00
Dec	95.75	95.40	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	14.07	13.81	14.19	13.75
Jan	12.82	12.26	12.30	12.30
Mar	13.09	12.93	13.20	12.87
May	12.84	12.73	12.93	12.66
Jul	12.65	12.60	12.73	12.50
Oct	12.38	12.30	12.42	12.20

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	74.80	74.80	75.08	74.55
Dec	75.62	75.86	76.05	75.52
Mar	76.90	76.60	76.75	76.25
May	76.85	76.96	77.30	76.80
Jul	77.24	76.47	77.25	76.50
Oct	70.00	69.53	70.00	69.45
Dec	67.00	66.93	67.75	66.60

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	154.55	154.75	155.50	153.75
Nov	144.85	143.60	145.40	143.70
Jan	141.60	140.80	141.40	141.40
Mar	140.90	140.10	0	0
May	139.75	139.25	0	0
Sep	139.25	137.75	0	0
Nov	139.25	137.75	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	594/0	592/4	601/0	589/0
Sep	576/4	570/4	578/0	570/0
Nov	570/4	564/0	571/0	563/0
Jan	580/2	574/2	581/4	573/0
Mar	591/0	583/2	591/0	582/4
May	596/4	592/0	597/0	589/4
Jul	601/4	593/0	602/0	593/0
Aug	597/0	588/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	18.12	17.98	18.14	17.90
Sep	18.23	18.15	18.30	18.05
Oct	18.47	18.36	18.50	18.35
Dec	18.87	18.76	18.95	18.72
Jan	19.02	18.91	19.20	19.00
Mar	19.45	19.27	19.55	19.25
May	19.72	19.57	19.90	19.50
Jul	19.95	19.80	20.00	19.80

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	192.9	191.0	193.0	190.0
Sep	182.1	181.7	182.7	181.0
Oct	177.7	177.2	178.2	176.5
Dec	176.6	176.5	177.4	175.5
Jan	177.0	176.7	177.5	176.1
Mar	178.2	178.7	179.7	178.0
May	179.7	180.0	180.3	179.0
Jul	181.2	180.7	181.5	179.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	223/0	224/2	224/2	222/0
Dec	224/4	226/4	226/0	223/6
Mar	232/4	234/0	233/6	231/2
May	237/2	238/2	238/0	236/4
Jul	238/4	239/6	239/6	238/2
Sep	237/4	238/0	237/4	236/0
Dec	238/4	239/0	238/4	237/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	395/0	391/4	395/0	391/4
Dec	409/0	405/6	409/0	406/0
Mar	413/6	410/0	413/6	410/2
May	395/4	392/4	396/0	392/4
Jul	367/0	362/0	367/0	363/0
Sep	369/0	367/4	369/0	368/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	74.57	74.30	74.60	74.20
Sep	75.50	75.45	75.50	0
Oct	76.27	76.32	76.30	75.75
Dec	74.85	74.90	74.95	74.45
Feb	73.72	73.82	74.00	73.30
Apr	74.45	74.67	74.80	74.32
Jun	72.47	72.82	72.75	72.25
Aug	70.80	71.00	71.05	70.80

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	46.77	47.10	47.00	46.60
Oct	40.30	41.05	40.90	39.95
Dec	41.85	43.02	42.90	41.57
Feb	42.80	43.75	43.60	42.50
Apr	40.22	41.45	41.40	40.20
Jun	45.15	46.00	46.00	45.00
Jul	45.55	46.12	45.90	45.32
Aug	44.40	44.75	44.50	44.40

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	24.92	25.37	25.25	24.75
Feb	38.72	39.86	39.25	38.30
Mar	38.57	39.70	39.05	38.15
May	40.00	41.00	40.15	39.50
Aug	39.52	39.82	40.20	39.53

LONDON STOCK EXCHANGE

Speculative bias drives the market

AN ATTEMPT at a downward correction in the UK stock market yesterday was blown out of the water by a fresh outburst of speculative activity which was only partially checked by an uncertain opening on Wall Street. However, once again turnover levels were unconvincing and market indices were pushed ahead by selective demand for blue chip stocks.

Speculative interest, which encompassed most of the long-standing bid favourites as well as some new names, was reflected in an erratic market performance.

After a weak start, share prices steadied but made little significant headway until a US securities house began buying shares in Scottish & Newcastle, bringing back market hopes of a new bid for the UK brewer. A four point gain on the Footsie was swiftly extended to 15.5. In the event, the FT-SE Index closed a net 12.3 up at 2,360.6 as suggestions of an impending rights issue were balanced by wide-ranging bid tales in several sectors of the market.

While analysts were favourably impressed by the market's ability to move above FT-SE 2,350, they were also quick to point to the domination of speculative stocks in recent sessions. London will watch the Dow's progress overnight towards the 2,700 mark, its nearest hurdle.

"Forget fundamentals again" said one stockbroker wearily yesterday as it became clear that there were no significant sellers in the market. Traders at the London office of one US-based market maker were told that no bear positions whatever were to be opened. Consequently, share prices moved ahead although trading volume as measured by the Seaq network was *not particularly* exciting – 521.9m shares against 543.3m on Tuesday.

Speculative interest has been fuelled by the prospect of re-investment of the proceeds of the Consolidated Gold Fields and Plessey takeovers. BAT Industries moved upwards again as some funds took the view that a re-shaped – and significantly increased – offer from the Goldsmith camp might be obtainable after further negotiation.

There were also hints in the market that Japanese houses might seek a foothold in the UK banking sector despite the regulatory obstacles. Elsewhere, Pilkington, Pearson and Reckitt & Colman, all long-standing bid hopes, rose sharply as speculative buyers re-appeared. The food share sector, regarded for some time as a likely area for a takeover move, perhaps from Europe or the US, came back into the spotlight.

While, genuine investment activity was relatively restrained yesterday, there is a widespread unwillingness among fund managers to be left behind if the market succeeds in moving upwards from its present levels.

Account Dealing Dates

First Dealings:		
Jul 31	Aug 14	Sep 4
Option Declarations:		
Aug 10	Aug 31	Sep 14
Last Dealings:		
Aug 11	Sep 1	Sep 15
Account Day:		
Aug 21	Sep 11	Sep 25

*New time dealings may take place from 9.00 am two business days earlier

Re-rating on GKN figures

GKN celebrated this week's return to the FT-SE 100 index with what one analyst described as "an unbelievably good set of interim figures," which sent the share price racing ahead.

Mr Paul Compton, researcher at UBS Phillips & Drew, took a cautious tone compared with some other analysts by only raising his forecast for the full year from £203m to £214m. The half year figure was £110m, against £84m the previous year, and Mr Compton explained that his new figure only takes into account that first half improvement. He added, however, that if the growth in European car sales seen in the first half continued, then his forecast would be too low.

After weakening in early trading on fears that the company would announce a rights issue to buy the 78 per cent of Westland it does not already own, GKN rose rapidly. It closed just a penny off the best of the day at 458p, a net improvement of 13. Volume was a strong 5.8m shares.

C&W listing

Cable & Wireless (C&W) shares were among the market's front runners after the long-awaited news that the company has filed a registration statement with the US Securities and Exchange Commission for an American Depositary Shares (ADS) listing.

Goldman Sachs, the US investment bank is lead manager to an offering of 8.5m ADS's, equivalent to 25.5m C&W shares, which will be concluded in late-September. The offering will raise some £130m for C&W.

The news triggered an immediate upsurge in C&W shares which bounded ahead to close a net 25 higher at the day's best of 559p: turnover was 5.4m. Dealers reported sustained buying interest, much of it coming from US houses.

The ADS news coincided with a timely buy recommendation issued yesterday by Mr James Dodd, electronics analyst at Kleinwort Benson. In his note Mr Dodd says: "The upside potential of a possible re-rating of Mercury (C&W's telecommunications subsidiary) and PCN (personal communications network) interests is likely to overcome Hong Kong worries in the near term, especially if C&W can obtain *an American listing.*"

Dealers said the burst of buying enthusiasm reflected hopesthat US investors will pursue C&W shares in the same way they were responsible for driving up the Racal Telecom share price from its flotation price of 170p last October to a peak 557p earlier this year.

Activity in ICI

A number of factors helped ICI to score a good rise after several weeks of lagging behind the market. Strong buying in New York fuelled speculation that the company was planning a tie-up with a pharmaceutical company. Earlier talk had been that a link with Wellcome was planned, but yesterday's US buying directed the market's search for possible partners to a long list of US companies.

Interest was also boosted by recent suggestions that ICI would sell its stake in Enterprise Oil, probably in a single block; and by the widespread acknowledgement that the stock has underperformed in recent weeks, especially when compared with Glaxo, which trades at a similar price and has an overlap in terms of business.

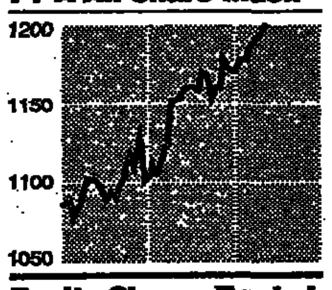
A mild bear squeeze added the final touch and ICI closed 35 better at 1313p on relatively light turnover of 1.4m shares.

Royal Bank of Scotland and British & Comonwealth caught the eye in an otherwise quiet banks sector. The former added 4 more at 447p, having touched 455p at one point, on good volume of 1.2m. Sector specialists said their had been a couple of big buyers in a market short of stock and still responding to the possibility of the sale of Yorkshire Bank, where Royal Bank has an 8 per cent stake.

Mr Tim Clark, at Citicorp Scrimgeour Vickers noted the sharp rise in Royal Bank shares over the two days. "A 4 per cent rise in two days is quite something and cannot be put down to the Yorkshire Bank story alone; if it was that alone then NatWest, with its 40 per cent stake should have up much more than that. We regard Royal Bank as a potential bid target."

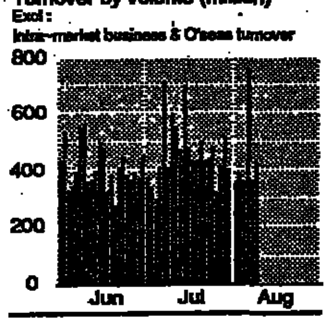
British & Commonwealth jumped 6 more to 193p with turnover expanding to 4.6m amid talk of imminent asset disposals; dealers also reported further big interest in the traded options.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excl: Intra-market business & O'seas turnover



Commercial Union's interim profits were disappointing and CU shares dipped 6 to 402p. But Royal Insurance moved up 7 to 437p despite market speculation that Adsteam may well have reduced its stake by possibly as much as 3m shares in recent days.

Ultramar moved into the firing line with the shares sold down to 323p before ending the session a net 12 off at 325p on much higher than usual turnover of 5.9m shares. The selling pressure came as the company unveiled half-year figures in the middle of market expectations, an interim payment of slightly less than the market had been going for, and details of an new gas/condensate find on 29/5b-6 in the North Sea.

Dealers said that the selling came as some analysts downgraded profits forecast for the group for the full year from around the £120m mark.

However, the oil team at Smith New Court, commenting on the figures, said: "We see no reason to change our forecast, or our stance on Ultramar – they remain a buy." Mr Jeremy Hudson, at Shearson Lehman Hutton, took a similar line. "We are keeping our target of 385p for Ultramar, which we regard as a unique UK downstream market play."

Mr Hudson added that Ultramar's asset value could be boosted by as much as 25p or 30p by the new gas/condensate find, designated the Franklin field. Kleinwort Benson – "we are still cautious on the stock short term" – retains its full year forecast of £103m.

BP eased to 297½p on 3.8m and Shell to 435½p on 1.4m ahead of their respective second quarter figures, scheduled for today. County NatWest WoodMac expects BP to produce net income of £405m on an historical cost basis with the dividend held at 3.65p, and Shell to come up with £805m, also on an historic cost basis. Shell will declare an interim on September 14.

Scottish & Newcastle provided the froth in a firmer brewery sector. The revival of speculation over the sale of S&N's Thistle Hotels provided the initial impetus; the two names mentioned as possible buyers were Ladbroke and Brent Walker. At one stage the price touched 400p, before dropping back on a firm denial from Ladbroke. The shares then regained their early form on talk of takeover interest, with any one of a number of overseas brewers said to have acquired the crucial 22.8 per cent stake held by Australian group Elders IXL. At the close S&N were up 9 at 395p on turnover of 5.1m shares.

Ladbroke, in spite of its denial of the Thistle Hotels story, were notably weak, closing 5 lighter at 326p on turnover of 4.3m and further undermined by the now regular stories of a rights issue. Ladbroke is due to report at the end of the month, and in anticipation of these figures Smith New Court has published a long-term buy recommendation. The broker has raised its forecast for the current year by £5m to £305m and for next year by £14m to £369m; "solid earnings growth from four established businesses makes Ladbroke an important core holding," said Mr Peter Joseph of Smith.

A welter of positive comment on the acquisition of United Biscuits' fast food businesses helped Grand Metropolitan add 6 at 628p, while strong investor demand lifted Whitbread "A" 10 to 383p.

Stores stocks singularly failed to join in the market's rise. Dealers now feel that the sector's recent strength has run its course. All the leading issues fell against the trend, with GUS "A", Burton and Kingfisher down 6 at 1106p, 254p and 362p respectively. Kingfisher were also unsettled by speculation that the group might make a counter bid for Ward White.

A rare gain was returned by WH Smith "A" shares, which added 3 at 350p after the company announced the sale of the recently acquired Sandhurst Marketing to its management for £5.5m.

VG Instruments followed Tuesday's 15 jump with a further 31 leap to a 1989 high of 414p following a buy recommendation from Kleinwort Benson, and amid speculation that BAT Industries will sell its 69 per cent stake in the company. Mr Rob Collins at Kleinwort labels VG "attractive and in play," and says the "current share price seems to take little account of the increased possibility that the BATs stake will be sold whether the bid from Hoylake succeeds or not." Mr Collins says if BAT does decide to dispose of its stake it should receive something similar to the 530p BAT reportedly turned down from Hewlett-Packard three years ago.

Eurotherm jumped 10 to 347p on whispers of imminent new contracts, while takeover speculation drove Harland Simon up 29 more to 717p.

The identity of the bidder for Desoutter revealed itself to the market as Atlas Copco of Sweden. The agreed offer puts a £7 price tag on each Desoutter share which closed up 141 at 683p. Before the announcement on August 1 that Desoutter was the subject of a bid approach, its shares were trading at 356p. Dealer felt that, at this price, the takeover was likely to go through.

Yet more brokers' recommendations, the latest from Robert Fleming, lifted Hillsdown 7 to 306p on turnover of 3.2m shares, while United Biscuits fell 3 to 402p on acquisition fears. Among food retailers bid speculation again surrounded Asda, up 6½ at 207½p on turnover of 10m.

An internal note at Smith New Court, saying that Pilkington was good value below 240p, underpinned the price, which closed up 11 at 256p. There was speculative buying on talk that Pilkington could be subject to a bid, and it was the second most heavily traded option in the traded options market. The most often mentioned potential suitor was BTR, down 7 at 428p. Results from BTR's Australian subsidiary, BTR Nylex, are due this morning.

BOC's third quarter figures out yesterday were a little below expectations. "There is no reason to buy them," said a marketmaker by way of explanation of the stock's fall of 4 to 523p.

There was no stopping US buying of Blue Arrow, and interest from the Mid-West was noted by one marketmaker. It is now regarded by most dealers in London as am American stock. Some 18m shares changed hands as the price firmed 3 to 113p.

Mr Ian White and Ms Barbara Arzymanow, the pharmaceuticals team at Kleinwort Benson, came out of Amersham International's annual meeting to trim their profits forecasts. for the company. They cut the current year's figure by £1m to £22.5m, and next year's by £500,000 to £26.5m. Ms Arzymanow said the company would not be able to makes up for revenue lost during a 25 day freeze on radiopharmaceutical sales in Japan, imposed by the Government, earlier this year. It was a penalty for "failing to comply with regulations." Ms Arzymanow added that a £2m currency deficit from last year was also a factor in the downgrading, "but we remain holders of the stock."

Property group Rosehaugh, the subject earlier this summer of speculation that Canadian group Olympia & York would bid, posted a large gain on renewed, but vague takeover talk. Although the demand apparent at the start of the rise failed to rematerialise at the higher levels, the shares still closed 24 better at 698p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 24

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (186).
BRITISH FUNDS (15) AMERICANS (1) CANADIANS (1) BANKS (8) BREWERS (3) BUILDINGS (2) CHEMICALS (6) STORES (1) ELECTRICALS (12) ENGINEERING (4) FOODS (11) HOTELS (3) INDUSTRIALS (27) Abbeycrest, Alexdra W'kwear, Alfa-Laval "B", Apollo Metals, Baxter Intl., Blue Arrow, Bluebird Toys, Bogod Pel. "A, CMB Pack., Do. New (¼ 1989 Div), Eastern Prod. Economic Forestry, Glaxo, Hanson, Do. 5¾pc PL, Hepworth, Highgate & Job. Huntingdon Intl., Macfarlane, Moelac Invs., Sinclair (Wm), St. Gobain, T&N, TT Grp., Tomkins, Trafalgar House, Whitecroft. INSURANCE (2) LEISURE (8) MOTORS (1) NEWSPAPERS (2) PAPERS (3) PROPERTY (5) TEXTILES (1) TRANSPORT (2) TRUSTS (88) OILS (2) MINES (7).

NEW LOWS (35).
BUILDINGS (5) CHEMICALS (2) STORES (2) ELECTRICALS (5) INDUSTRIALS (8) Copymore, Cornwell Parker "A", Kingsgrange, Oakwood, Rockwood, SI Grp., Sharp & Law, Stag Furniture, Young (H). LEISURE (2) MOTORS (1) PAPERS (2) PROPERTY (1) TEXTILES (3) TRUSTS (1).

FINANCIAL TIMES STOCK INDICES

	Aug 9	Aug 8	Aug 7	Aug 4	Aug 3	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	87.38	87.34	86.87	86.87	86.87	87.86	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.38	97.83	97.39	98.04	97.80	97.43	99.59 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1972.0	1962.3	1957.0	1940.8	1924.0	1482.1	1972.0 (9/8)	1447.8 (3/1)	1972.0 (9/8/89)	49.4 (26/6/40)
Gold Mines	197.9	198.2	202.4	202.9	199.9	190.4	206.0 (7/7)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2360.4	2348.1	2341.5	2327.5	2305.3	1839.9	2360.4 (9/8)	1792.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.14	4.16	4.17	4.21	4.25	4.58				
Earning Yld %(full)	9.65	9.68	9.72	9.81	9.89	11.61				
P/E Ratio(Net)(☆)	12.44	12.41	12.35	12.25	12.15	10.50				
SEAQ Bargains(5pm)	29,632	33,020	27,803	29,073	26,564	24,952				
Equity Turnover(£m)†	-	1132.28	957.65	2271.52	995.5	1430.77				
Equity Bargains†	-	32,905	28,233	29,073	26,840	25,175				
Shares Traded (ml)†	-	418.1	369.3	758.4	360.7	439.0				

Basis 100 Govt. Secs 15/10/26, Fixed Int 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 ☆ Nil 12.31

Ordinary Share Index, Hourly changes Day's High 1975.9 Day's Low 1960.1

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1961.0	1965.2	1964.4	1965.5	1965.9	1965.9	1970.0	1974.8

FT-SE, Hourly changes Day's High 2363.6 Day's Low 1960.1

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2346.6	2350.9	2349.8	2350.9	2351.3	2352.4	2357.1	2362.3

S.E. ACTIVITY

Indices	Aug 8	Aug 7
Gilt Edged Bargains	102.9	86.1
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A
5 – Day average		
Gilt Edged Bargains	92.6	92.6
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A

SE Activity 1974. †Excluding intra-market business & O'seas turnover. London report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	9,700	207½	+6½	Cookson	518	374	+2	Legal & General	1,000	359	-2	Royal Insurance	2,000	437	+7
Abbey National	9,100	144½		Courtaulds	2,080	369	+2	Lloyds Bank	1,300	387	+2	STC	461	375	+2
Allied-Lyons	1,300	524	+5	Dalgety	458	417	+1	LASMO	295	503	-4	Saatchi & Saatchi	93	330	
Amstrad	260	68		Dixons	1,300	162	-1	Lonrho	1,500	298	+2	Sainsbury	660	283	
Argyll Group	2,400	244	+4	Eng. China Clays	385	496	+4	Lucas	1,000	710	+7	Scot & Newcastle	5,100	395	+9
Ass. Brit. Foods	470	387	+1	Enterprise Oil	371	595	-4	MB Group	1,600	212	+3	Sears	518	131½	-1½
BAA	398	373	-1	FKI Babcock	1,500	182	+3	MEPC	178	590	+3	Shell Transport	1,400	435½	-½
BAT Inds.	3,100	865	+18	Fisons	3,800	355	-4	Marks & Spencer	3,500	217½	-2½	Siebe	312	551	+3
BET	1,500	314	+4	General Accident	554	1058	-1	Maxwell Comm.	299	198		Slough Ests	814	369	+10
BICC	1,700	547	-6	General Elect.	4,700	281	+4	Midland Bank	1,000	342	+1	Smith & Nephew	2,700	136½	-1
BOC	3,900	523	-4	Glaxo	1,200	1543	+23	Nat. West. Bank	2,300	334	+3	SmithKline Beecham	5,993	585	-6
BPB Inds.	831	254	-1	Globe Inv.	965	199½	+2½	Next	852	142	-1	Smiths Industries	49	321	+1
BTR	3,600	428	-7	Glynwed Int.	2,200	388		Northern Foods	130	359	+1	Standard Chartered	283	533	+2
Barclays	2,100	522	+4	Granada	573	379	+5	Pearl	859	504	+9	Storehouse	2,700	141	-1½
Bass	524	1084	+2	Grand Met.	1,200	628	+6	Pearson	1,700	799	+30	Sun Alliance	1,683	305	
Blue Circle	1,800	275	+4	GUS A	83	1106	-6	P & O	1,500	659	-7	T&N	1,100	261	+9
Boots	2,300	300	-1	GRE	5,200	217	-5½	Pilkington	7,000	256	+11	TSB	710	111	
Brit. & Comm.	4,600	193	+6	GKN	5,800	458	+13	Plessey	2,600	267		Tarmac	1,300	311	+1
Brit. Aerospace	391	713		Guinness	1,500	588	+6	Polly Peck Intl.	437	307		Tate & Lyle	566	294	+4
British Airways	5,600	283	+2	Hammerson "A"	49	801	+1	Prudential	3,800	203	+3	Taylor Woodrow	881	304	-1
British Gas	3,000	207	-½	Hanson	3,900	239	+3½	RHM	348	455		Tesco	2,560	211½	+2½
British Land	121	383	-1	Harrisons & Cros.	330	167	-1	RMC	978	761	+8	THORN EMI	1,700	835	-13
BP	3,800	297½	-1	Hawker Siddeley	616	750	+15	RTZ	1,500	561	+6	Trafalgar House	4,800	402	+11½
British Steel	6,600	77	+1½	Hillsdown Hldgs.	3,190	306	+7	Racal	637	438	+3	Trusthouse Forte	612	347	
British Telecom	6,900	257½	+½	IMI	799	241	+1	Rank Org.	128	994	-3	Ultramar	5,900	325	-12
Burmah Oil	396	633	-2	Imp. Chem.	1,400	1313	+35	Reckitt & Colman	197	1228	+26	Unilever	620	637	
Burton	2,100	254	-6	Inchcape	1,000	291	-1	Redland	1,200	580	-5	United Biscuits	1,200	402	-3
Cable & Wireless	5,150	559	+25	Jaguar	1,400	399	-1	Reed International	1,500	459	+7	Utd Newspapers	71	482	-5
Cadbury Schweppes	1,500	437		Kingfisher	1,700	362	-6	Reuters	896	948	+4	Wellcome	1,600	504	+11
Carlton Comms.	1,080	855	+12	Ladbroke	4,300	326	-5	Rolls Royce	2,900	190½	+3	Whitbread "A"	950	383	+10
Commercial Union	5,750	402	-6	Land Securities	507	600	-2	Rothmans	171	625	-3	Williams Hldgs.	108	260	+1½
Cons. Gold Fields	160	1478	+3	Laporte	228	501	+7	Royal Bk of Scotland	1,200	447	+4	Wimpey	56	273	-2

BUSINESS LAW

Adequacy of the City's regulation

By Steven Sugar

Can we deduce from the DTI inspectors' report into the Blue Arrow affair that the current system of regulation of the City is adequate? The DTI was determined to see that the full rigour of the legal machinery available was used. The Bank of England appears to have been equally determined to see that senior management of National Westminster Bank accepted responsibility.

The legal machinery is certainly there and the current willingness of the relevant authorities to use it and to hold leading City institutions and their senior management to account is clear. But is this really what the system is or should be about?

The object of regulation of the City is not to provide machinery for the punishment of offenders. The purpose of regulation is to provide a set of rules against which economic activity, and in particular the financial markets, can operate efficiently.

The efficiency of markets depends upon compliance with the rules in a high proportion of cases. The test of the quality of a regulatory system is whether the rules are generally followed. The test is not the ability of the system to be seen to react strongly against infringements.

Judged against the correct test, it seems our current system for regulation of the City does not work as well as it could. Improvement will not flow from tinkering with the Companies Acts, as recommended by the DTI inspectors in their report.

The deficiencies of the present system stem from certain deeply ingrained attitudes to the function of law in relation to financial markets. These attitudes are prevalent in government, in the City and in the financial press.

At the most abstract level, they give rise to the view that it is people rather than policies which matter. At a lower level of generality, conventional attitudes result in continued support for the principle of so-called self-regulation.

Thus it is that, notwithstanding the plethora of laws and regulations enacted by and under the Financial Services Act 1986 and the Banking Act 1987, the core activities of the City remain relatively free of close legal constraints.

County NatWest, the merchant banking arm of NatWest, acted as Blue Arrow's adviser in connection with its successful tender offer for the employment agency Manpower in the US, and as adviser in relation to the financing of that acquisition, both by bank lending (from the parent company, NatWest itself) and eventually under the ill-fated rights issue.

County NatWest was also the lead underwriter in relation to the rights issue. It was the failure of that share issue which lead to the cover-up of the resulting stake which the NatWest group as a whole obtained in Blue Arrow.

What all these activities have in common is that they all fall within the definition of "corporate finance activities" as set out in the rules of the Securities Association, the self-regulatory organisation supervising County NatWest in its securities business.

At the eleventh hour, before the Financial Services Act came into force, the regulators had agreed to exclude most of the conduct of business rules in relation to corporate finance activities. One of the many areas calling for review in the wake of the Blue Arrow affair must be whether this policy was wise or whether it would be appropriate for corporate finance activities to be more closely regulated.

If, for example, conduct of *business rules had prevented* County NatWest from acting in the dual capacity of both financial adviser to Blue Arrow and as lead underwriter to the rights issue, it is most unlikely that the circumstances which led to the cover-up would have arisen. Conventional attitudes to City regulation have been in favour of minimising the application of detailed rules. But even without specific rules, there is still the general law. How did it apply to the Blue Arrow affair?

County NatWest sought to avoid having to disclose a stake of 5 per cent or more in Blue Arrow by (i) passing part of the stake to its market making arm (which was in principle entitled to a specific exemption from disclosure available only to market makers) and (ii) passing another part of the stake to UBS/Phillips & Drew under arrangements providing stop loss cover to them.

Were these arrangements legally successful? Surely there must be the strongest doubt as to whether the market making exemption was available in the circumstances which arose.

It is also far from clear that the arrangement with UBS/Phillips & Drew was effective for avoidance purposes, notwithstanding the opinions expressed by lawyers acting for County NatWest and for UBS/Phillips & Drew and indeed by DTI inspectors.

The inspectors' report does not refer to the provisions of the Companies Act under which mutual *expectation* between County NatWest and UBS/Phillips & Drew as to the retention or disposal of their respective stakes, whether any such expectation amounted to a binding contract or not, would have made the separate stakes agreeable for disclosure purposes.

Disclosure of the combined stakes would have been required by law had County NatWest *expected* UBS/Phillips & Drew to consult them before disposing of their stake and vice versa.

In any event, concentration on the details of the disclosure requirement distracts attention from certain general provisions of the law which are not mentioned in the inspectors' report, for example, the prohibition (under Section 47 of the Financial Services Act 1986) on making misleading statements, or dishonestly concealing material facts, in order to promote share issues.

Second, there is the overriding obligation (under the Stock Exchange regulations governing listed companies) imposed on Blue Arrow, and therefore on County NatWest as its adviser, to disclose all information necessary in order to avoid the establishment of a false market in Blue Arrow shares. Both these rules are clearly applicable in principle to what happened.

If the law is accepted to be reasonably adequate, what went wrong? The answer seems to be that it is not sufficient to enact laws without providing effective sanctions for their enforcement. Conventional attitudes to regulation of the City entail that public institutions, rather than private persons, should have sole powers to enforce the rules.

Thus it is that the DTI, the Serious Fraud Office, the Stock Exchange, the Bank of England, the Securities Association and so on, are given powers of inspection, investigation, prosecution and intervention. But it is comparatively rare to find rights of civil action granted to private persons who may suffer damage as a result of infringements.

For example, neither Section 47 of the Financial Services Act nor the provisions of the Stock Exchange regulations (requiring disclosure to avoid the creation of a false market) expressly give private rights to bring civil actions.

There is a controversial exception in section 62 of the Financial Services Act which does grant express private rights of action for infringements of the rules of self-regulatory organisations such as the Securities Association. But section 62 has been the subject of intense criticism by the City and the Companies Bill now before Parliament provides for it to be significantly watered down. It is to be hoped that the Government will now review that decision.

The importance of private remedies in these matters is that their availability increases the risks (and *perceived* risks) of an unlawful course of conduct. It is no good expecting corporate finance executives to act as angels – they operate in a tough commercial world.

What is required is to alter the balance of risk and reward by granting private rights of civil action where they are currently unavailable or are only doubtfully available.

The usual counter-argument *is that this would increase the* amount of litigation within the financial markets. It would, but just the risk of litigation will produce a requirement for far more legal advice to prevent the misfortune of litigation. Actual litigation is of very minor significance in the regulation of economic activity in comparison to the potential for claims which are avoided by the taking and heeding of thorough legal advice.

It is sadly evident from the inspectors' report that far too little legal advice was sought and that, in some respects, the advice which was obtained was either misunderstood or misrepresented.

How different it would have been had the corporate finance executives and the lawyers involved been conscious of private rights of action to enforce the Companies Act disclosure rules and the prohibitions on misleading the markets contained in the Financial Services Act and in Stock Exchange regulations.

The author is a partner in London solicitors, Frere Cholmeley.

APPOINTMENTS

Eagle Star treasurer

EAGLE STAR has appointed Mr Keith Morris *(above)* as group treasurer of Eagle Star Insurance Co. He was senior consultant, finance industry, IBM UK.

■ MIM BRITANNIA UNIT TRUST MANAGERS, a subsidiary of Britannia Arrow Holdings, has appointed Mr Nicholas Guyatt, Mr Graham Jansingh and Mr Michael Kirton as directors.

■ Mr Robert Ing has been appointed divisional managing director of DENCO, an AMEC company. He was managing director, consumer division, Glynwed Industries.

■ Mr Mike Hoffman, group chief executive, THAMES WATER, additionally becomes chairman and chief executive of Thames Water Utilities, of which Mr Bill Harper becomes deputy chairman. Mr Richard Marshall has been appointed group personnel director.

■ Mr Malcolm Parker has been appointed company secretary and finance director designate of TURRIFF CORPORATION. Mr Peter Taylor becomes a non-executive director from September 1.

■ Mr Allen Sheppard, chairman and group chief executive of Grand Metropolitan, has been appointed a non-executive director of MEYER INTERNATIONAL.

■ Mr Colin Webster has been appointed commercial director designate on the board of NATIONAL POWER. He is executive vice president of BP America.

■ Mr David Burnett, Mr Timothy Lynn and Mr John Sleeman have been appointed executive directors of SAMUEL MONTAGU & CO, part of the Midland Group.

■ Mr John Montgomery, who recently retired as head of legal division and company secretary of Shell UK, has been appointed a part-time member of the MONOPOLIES AND MERGERS COMMISSION for three years from August 6.

■ Mr Brian Pursey has been appointed finance director of THE MI GROUP. He joins from the TSB Trust Co where he was financial controller, and succeeds Mr Malcolm Mutkin who becomes commercial director.

■ Mr Simon Rostron has been appointed chief executive of TRIMEDIA COMMUNICATIONS, London, succeeding Mr Christopher Morgan who remains executive chairman. Mr Morgan becomes chief executive of Trimedia International, London, and *deputy chairman of Trimedia* International AG, Zurich. He will spend more time on international clients, particularly in the Far East and Japan. Mr Rostron joined Christopher Morgan Marketing & Public Relations in 1983, which merged with the Trimedia Group last year.

■ NORWICH WINTERTHUR REINSURANCE CORP has appointed Mr Leslie Lucas as general manager, and Mr Charles Catt as assistant general manager (non-marine underwriting).

■ Mr Michael Gates Fleming has been appointed managing director of the London branch of DEACON MORGAN McEWEN EASSON, of Toronto and Montreal stock exchanges, succeeding Mr Maynard Marceau. Subject to regulatory approval the company will be renamed Deacon Barclays de Zoete Wedd following a 50% acquisition of the company by BZW.

■ EXEL LOGISTICS - TCS, Watford, has appointed Mr Michael French as human resources director. He was head of personnel, BRS Midlands, Derby.

■ DUNLOP TEXTILES, Rochdale, which makes tyre cord fabric, has appointed Mr David Griffiths as sales and marketing director. He was area sales manager of Kleber, a Michelin-owned French manufacturer of rubber products. Dunlop is part of BTR.

■ Mr John Wood has been appointed a director of THE HERITABLE AND GENERAL INVESTMENT BANK.

Mr Sandy McMillan *(above)* has been appointed projects director of PROJECT MANAGEMENT INTERNATIONAL for Scotland and the North of England. He was with Schal International.

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	53.87	54.40xd	57.88	-0.09	4.73
Gilts & Fixed Int	6	112.5	112.5	119.3	.....	8.38
High Inc Equity	6	140.4	143.2xd	152.4	-0.3	4.17
Worldwide Bond	6	201.1	201.1xd	213.1	-0.2	4.55
Capital Growth						
American Growth	6	191.5	191.5	204.9	-0.6	0.93
Asian Pacific	6	100.6	102.5	109.1	-0.4	1.19
Assets & Earnings	6	165.8	165.8	177.4	-0.4	2.09
Capital Reserve Acc	0	87.02	87.02	87.13	+0.07	4.59
Comdty & Energy	6	111.0	114.1	121.4	+2.2	1.57
1992 Enterprise	6	60.55	61.71xd	65.65	+0.02	2.74
European Capital	6	93.42	94.18	100.20	+0.36	0.75
General	6	187.0	187.0xd	200.1	-0.7	2.25
International	6	48.86	49.68	52.86	+0.24	0.95
Japan	6	115.6	115.6	123.7	+0.7	0.00
Mastertrust	6	90.15	90.15	96.42	-0.02	1.76
UK Growth Acc	6	206.8	216.0	229.8	-0.2	1.22
UK Growth Dist	6	138.0	144.1	153.3	-0.1	1.83
US Emerging Cos	6	54.28	55.82	59.39	-0.01	0.00
Income & Growth	6	318.3	324.7	345.5	-0.8	2.97
Ethical	6	50.15	51.38	54.66	-0.08	1.83
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5	32.62	32.62	34.82	-0.07	3.10
European	5¼	68.50	68.67	73.31	+0.45	0.00
European Income	5¼	67.35	67.35xd	71.90	+0.25	2.79
Exempt	1	848.6	846.6xd	888.7	-3.30	1.94
Extra Income	5	46.53	46.53xd	49.67	-0.13	4.40
F East Emerg Ecos	5¼	49.61	49.63xd	53.16	+0.03	0.59
Fund Inv Tst	5	134.1	134.1	143.2	—	2.12
Do Accum	5	208.9	208.9	223.0	+0.10	2.13
Gilt & Fixed Int	5¼	21.82	22.58xd	24.10	+0.02	10.16
Income & Growth	5¼	78.01	78.01xd	83.27	-0.03	3.75
Intl Income	5¼	66.54	66.54	71.04	+0.04	4.96
Japan	5¼	202.0	202.0	215.7	+1.90	0.00
Pacific	5¼	375.2	376.8	403.5	+0.80	0.58
Secure Income	5	211.6	211.6	225.9	-0.30	5.68
Smaller Companies	5¼	64.54	64.54	68.90	-0.16	2.08
Special Situations	5¼	76.56	76.56	81.73	-0.08	1.30
UK Growth	5	40.88	40.88	43.64	-0.07	2.22
World Growth	5	52.45	52.45	56.00	+0.05	0.31

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Buckmaster Mangmt Co Ltd – Contd.						
Income	5	170.3	175.4	186.1	+0.4	4.49
(Accum Units)	5	332.2	342.0	362.9	+0.8	4.49
International	5	128.4	128.4	135.8	+0.9	2.51
(Accum Units)	5	175.1	175.1	185.2	+1.2	2.51
Smaller Co's	5	119.7	122.7	130.2	-0.6	1.37
(Accum Units)	5	131.6	135.0	143.2	-0.5	1.37
Inv Portfolio	2½	59.77	59.85	61.70	-0.03	3.13
(Accum Units)	2½	59.97	62.13	64.05	-0.03	3.13
High Income Port	3	50.84	51.25	53.11	+0.01	6.05
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 01-480 7216						
Stx Dva Gilt & FI	1¼	53.85	53.85	54.64	+0.03	2.89
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 01-740 7070						
UK General Tst	5½	59.28	60.19	64.37	-0.03	2.23
Global Tst	5½	46.11	46.67	49.91	+0.17	2.01
Recovery Tst	5½	54.93	54.93	61.15	+0.05	1.92
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01 234 6000						
Growth Fd Acc	5	116.4	117.9	124.4	+0.2	3.42
CS Fund Managers Limited (1000)H						
125 High Holborn, London WC1V 6PY 01-242 1148						
CS America F	5	62.05	62.05	66.01	+0.20	0.56
CS International F	5	61.82	61.82	65.76	+0.15	1.50
CS Japan F	5	135.0	135.0	143.6	+0.5	0.32
CS Portfolio Inv & F	5	77.21	77.21	82.13	-0.24	1.57
Canada Life Unit Tst Mgrs Ltd (1200)F						
2-6 High St, Potters Bar, Herts 0707 51122						
Can Gen Dist	5	151.7	154.3xd	162.4	+0.10	2.85
Do Gen Accum	5	256.2	260.6	274.3	+0.10	2.85
Do Income Dist	5	100.9	103.0	108.4	-0.20	6.20
Do Inc Accum	5	231.1	236.0	248.4	-0.30	6.20
Gilt & Fxd Int	5	36.93	36.99xd	38.93	-0.05	8.25
Cannon Fund Managers Ltd (0700)H						
1 Olympic Way, Wembley, HA9 0NB						
01-902 8876. Dealing: 0800 282621						
Growth	5¾	40.75	40.75xd	43.58	-0.04	2.33
Income	5¾	50.68	51.33xd	54.90	+0.12	3.79
Far East ♦	5¾	38.46	39.15	41.65	+0.15	0.05
North American ♦	5¾	38.48	39.03	41.52	+0.27	1.73
Global ♦	5¾	55.41	56.31	59.91	+0.47	1.64
European	5¾	58.44	59.30	63.08	+0.31	0.85
Japan ♦	5¾	110.8	112.9	120.1	+0.40	0.01
Intl Currency Bd	5¾	43.85	43.85	46.49	-0.12	6.45
Strategic Opps.	5¾	55.94	55.94	59.83	+0.16	1.22
Capability Trust Mngrs Ltd (1200)F						
Admin, 5 Rayleigh Road, Hutton, Brentwood, Essex						
Enquiries 0277 227300 Dealing 0277 261010						
American & Gen	5	81.73	82.61	87.89	+0.23	1.50

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ? - 0001 to 1100 hours; ? - 1101 to 1400 hours; ? - 1401 to 1700 hours; ? - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Capital & Equity	5	64.21	67.26	71.35	+0.01	6.65
European	5	73.47	73.83	78.54	+0.43	0.99
Far Eastern	5	64.73	64.87	69.00	−0.4	0.63
Growth Inc	5	91.27	95.31	101.39	.....	1.38
Growth Acc	5	91.27	95.31	101.39	.....	1.38
Income Inc	5	84.90	87.05xd	92.61	−0.16	4.60
Income Acc	5	84.90	87.16xd	92.71	−0.16	4.60
Property Share	5	56.31	56.31	60.02	+0.08	0.99
Smaller Co's	5	60.32	60.95	64.99	−0.09	1.47
Nth American	5	65.82	65.82	69.75	+0.21	1.57
International	5	50.10	50.10	53.58	+0.32	1.38
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Growth	5	114.43	114.43	119.43	+2.85	3.93
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	66.18	68.62	73.00	+0.07	2.48
Yorkshire Eqty Inc Tr	5¼	63.33	65.57	69.76	−0.04	4.28
YUTM Intl Cash Tst	5¼	53.64	53.64	57.26	−0.15	0.71

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Int'l Expt June 7 .... 1489.3 503.81 ..... —

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INSURANCES

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Continued on next page

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Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Fund	324.6	341.7	+7.0	—
Man Pens Inc & Cap Fds	438.0	461.1	+11.8	—
Money Fund	121.2	127.6	+0.2	—
Pens Mngd Fd (Init)	120.9	127.3	+2.8	—
Pens Mngd Fd (Acc)	147.9	155.7	+3.7	—
Pens FT30 Fd (Init)	160.5	169.0	+4.4	—
Pens FT30 Fd (Acc)	196.3	206.7	+5.6	—
Pens O'seas MgFd(Init)	77.8	81.9	+1.0	—
Pens O'seas MgFd(Acc)	95.2	100.3	+1.4	—
Pens Fxd Int Fd (Init)	106.1	111.7	−0.6	—
Pens Fxd Int Fd (Acc)	129.8	136.7	−0.5	—
Pens Deposit Fd (Init)	106.0	111.6	+0.1	—
Pens Deposit Fd (Acc)	129.7	136.6	+0.3	—

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or −	Yield Gross
American	132.0	139.0	+1.0	—
Building Soc. Fd.	172.0	182.0		—
Balanced	293.0	309.0	+1.0	—
European	186.0	196.0	+1.0	—
GT Managed	185.0	195.0	+1.0	—
Gartmore Mngd	123.0	130.0		—
German	133.0	140.0		—
Gilt	187.0	197.0	−1.0	—
Global	49.0	52.0		—
High Inc	127.0	134.0		—
International Equity	203.0	214.0	+1.0	—
Japan	255.0	269.0	+2.0	—
Managed	64.0	68.0		—
Property	286.0	302.0		—
R W Imperial Gold	149.0	157.0		—
UK Equity	372.0	392.0	+2.0	—
Pension Funds				
American	153.0	162.0		—
Building Soc. Fd.	173.0	183.0		—
Balanced	225.0	237.0		—
European	185.0	195.0		—
German	115.0	122.0		—
Gilt	160.0	169.0		—
International Equity	147.0	155.0		—
Japan	143.0	151.0		—

Prudential Holborn Life Ltd—Contd.
Holborn Series II Life Funds

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	554.1	583.3	+1.0	—
Equity	1143.2	1203.4	+1.3	—
International	386.0	406.4	+1.8	—
Fixed Intl	379.4	399.4	−1.2	—
Property	385.4	405.7		—
Cash	257.3	270.9	+0.1	—
Pacific Basin	211.6	222.8	+1.0	—
North American	168.4	177.3	+0.8	—
European	167.2	176.0	+0.7	—
Holborn Balanced Gwth	119.6	125.9	+0.1	—
Holborn Strategic Gwth	118.8	125.1	+0.2	—

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	596.6	628.1	+1.8	—
Equity	872.7	918.7	−0.9	—
Global Equity	256.6	270.2	+3.6	—
Fixed Interest	415.8	437.7	−1.1	—
Property	400.0	421.1		—
Cash	159.6	168.0		—
Index Linked Gilt	204.4	215.2	+0.4	—
Guaranteed	12.50	—		—
International Money	203.9	214.7	−0.6	—
North American	81.7	86.0	+0.1	—
Japanese	148.6	156.5	+0.7	—
European	102.9	108.4	+0.7	—
Special Situations	126.7	133.4	−0.3	—
Communications	110.6	116.5		—
Smaller Companies	114.8	120.9		—
International Small Cos	140.1	147.5	+0.5	—

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or −	Yield Gross
Discretionary Aug 2	£162.37	168.07		—
Equity Aug 2	£179.11	185.99		—
International Aug 2	£27.21	28.09		—
Intl Bond Aug 2	£12.56	12.73		—
Fixed Int Aug 2	£74.05	75.04		—
Index Linked Aug 2	£63.04	63.84		—
Property Aug 2	£112.79	119.50		—
Cash Aug 2	£21.247	21.247		—

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99 13/16	98 7/8	Exch 11pc 1989	99 13/16	+1/32	11.05	13.38
98 21/32	95⅝	Treas 5pc 1986-89	98 21/32	–1/32	5.05	10.10
99½	98⅝	Exch 10¼pc Cv '89	99¼	+1/32	10.34	13.18
101 1/4	99 11/16	Treas 13pc 1990‡‡	100 3/8		12.98	12.31
131¼	124	Treas 2pc IL '90(84.6)	131¼		2.09	9.98
99 13/16	98 15/16	Exch 11pc 1990‡‡	99 3/16xd	+1/32	11 08	12.42
101¼	99 3/8	Exch. 12½pc 1990	99⅞		12.52	12.65
95 7/8	91 3/8	Treas. 3pc 1990	95 1/16	+⅛	3.14	9.40
97 5/8	95⅝	Treas 8¾pc 1987-90‡‡	97 5/16	+1/32	8.47	11.52
98 13/16	95¼	Treas. 8pc Cv 1990 ‡‡	97 5/8	–1/16	8.19	10.73
98 13/16	96 3/8	Treas. 10pc Cv 1990	97 13/16	–1/32	10.21	11.84
93 7/16	87 13/16	Exch 2½pc 1990	93 3/16	+⅛	2.68	8.07
101 13/16	98 15/16	Treas 11¾pc 1991	100¼	–1/16	11.73	11.60
93 3/4	89⅞	Funding 5¾pc '87-91‡‡	93¼	+⅛	6.18	10.42
90 13/16	86 3/4	Treas. 3pc 1991	90 5/8	+1/32	3.33	9.17
100 3/4	95 15/16	Treas 10pc Cv '91 ‡‡	97⅞	+1/32	10.22	11.25
101 3/4	97 13/16	Exch. 11pc 1991	99⅝	–1/32	11.04	11.17
94 1/4	91 13/16	Treas. 8pc 1991	93 13/16	–1/32	8.54	11.11
106 1/4	102 3/4	Treas 12¾pc 1992‡‡	104 3/16	–1/32	12.24	10.75
99½	95 3/4	Treas 10pc 1992	98 3/16xd		10.19	10.84
94 5/8	91	Treas. 8pc 1992 ‡‡	93 13/16	+1/32	8.56	10.84
100¾	96 15/16	Treas 10½pc Cv 1992‡‡	99 3/8	+1/32	10.58	10.78
85 7/8	82¼	Treas. 3pc 1992	85 1/16	+⅛	3.52	9.05
105 13/16	101¼	Exch. 12¼pc '92	103 13/16xd	+1/32	11.80	10.75
109¾	104 13/16	Exch 13½pc 1992	107 1/16	+1/32	12.58	10.65
94 3/8	90 13/16	Treas 8¼pc 1993	93½xd	+1/16	8.83	10.51
100 3/4	95⅝	Treas 10pc 1993‡‡	98 13/16	+1/32	10.12	10.38
108¼	103 11/16	Treas 12½pc 1993‡‡	106 11/16	+1/32	11.75	10.45
87¼	84¼	Funding 6pc 1993‡‡	87 13/16xd	+1/32	6.89	9.90
113¼	108¼	Treas 13¾pc 1993‡‡	111 1/16	+1/32	12.35	10.36
94½	89¼	Treas. 8½pc 1994	93 5/16	+⅛	9.11	10.38
117 13/16	112¼	Treas 14½pc 1994‡‡	115 3/16xd	+1/16	12.59	10.26
113 13/16	107 13/16	Exch 13½pc 1994	111 3/16	+1/16	12.13	10.38
100⅝	95 13/16	Treas. 10pc Ln. 1994‡‡	99 3/16	+1/16	10.09	10.23

Five to Fifteen Years

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
110¼	104 3/8	Exch. 12½pc 1994	108 3/16xd	+1/16	11.56	10.39
96 13/16	91⅝	Treas 9pc 1994‡‡	95	+1/16	9.47	10.22
108 13/16	102 13/16	Treas 12pc 1995	106 13/16	+1/16	11.25	10.35
79¾	74½	Exch 3pc Gas 90-95	77	+⅛	3.90	8.07
101 13/16	95¾	Exch. 10¼pc 1995	99⅞	+1/16	10.26	10.25
113 13/16	107¼	Treas 12¾pc 1995‡‡	111½	+1/16	11.42	10.17
119 13/16	112⅝	Treas. 14pc '96	116¾	+1/16	11.98	10.33
97½	91 3/8	Treas. 9pc 1992-96‡‡	95⅜xd	+1/16	9.43	9.96
126 13/16	119 3/8	Treas 15¼pc 1996‡‡	123¾	+1/16	12.31	10.23
117 5/8	110	Exch 13¼pc 1996‡‡	114½	+1/16	11.56	10.19
101 3/4	94 13/16	Conversion 10pc 1996	99 5/8		10.06	10.10
118½	110¾	Treas 13¼pc 1997‡‡	115¾	+1/16	11.45	10.17
104 3/4	97⅛	Exch 10½pc 1997	102 1/16xd	+1/16	10.28	10.08
95 13/16	88⅝	Treas 8¾pc 1997‡‡	93 3/8xd	+1/16	9.34	9.91
128⅝	120 3/8	Exch 15pc 1997	125 13/16	+1/16	11.94	10.29
100 13/16	93 13/16	Exch. 9¾pc 1998	98 13/16	+1/16	9.89	9.98
84⅞	78⅝	Treas 6¾pc 1995-98‡‡	83¼	–1/16	8.10	9.60
134 7/8	125 3/8	Treas. 15½pc '98‡‡	131	+1/16	11.81	10.16
113 13/16	105¼	Exch. 12pc 1998	111 1/16	+1/16	10.80	10.10
100¼	93 5/8	Treas 9½pc 1999‡‡	98 1/4	+1/16	9.64	9.72
115¾	107½	Exch. 12¼pc 1999	113	+1/16	10.84	10.08
105⅝	97⅝	Treas. 10½pc 1999	103¼	+1/16	10.17	9.96
104 3/4	96⅝	Conversion 10¼pc 1999	101 13/16	+1/16	10.06	9.94
94 5/8	86⅞	Treas. 8½pc Ln 2000‡‡	92 3/16	+1/16	9.22	9.69
97 7/8	90	Conversion 9pc 2000‡‡	95¼xd	+1/16	9.45	9.72
122 13/16	113 3/8	Treas. 13pc 2000	118 13/16	+1/16	10.94	10.10
105⅝	95⅝	Treas 10pc 2001	101xd	+⅛	9.89	9.83
124 13/16	115½	Treas. 14pc '98-01	121	+⅛	11.55	10.26
102 3/4	94 3/8	Conversion 9¾pc 2001	99 13/16xd	+1/16	9.77	9.77
113 13/16	105 3/8	Exch. 12pc '99-02	110 13/16	+1/16	10.81	10.14
104 13/16	96 3/8	Conversion 10pc 2002	101 13/16	+1/16	9.81	9.72
102 13/16	94 13/16	Treas 9¾pc 2002	100 3/16xd	+⅛	9.71	9.69
97 13/16	89 13/16	Exch. 9pc 2002	95 3/16	+⅛	9.45	9.63
126 13/16	117 3/8	Treas. 13¾pc 2000-03	123 13/16	+⅛	11.14	10.15
105⅝	97¼	Treas 10pc 2003	103 3/16xd	+⅛	9.68	9.57
113½	104 3/8	Treas. 11½pc 2001-04	110¼	+1/16	10.42	9.96
106 3/8	97⅝	Treas. 10pc 2004	103⅝	+⅛	9.64	9.52
59¾	55 3/8	Funding 3½pc '99-04	58½	+1/16	6.00	8.47

Over Fifteen Years

BRITISH FUNDS—Contd

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
102 13/16	94¼	Conversion 9½pc 2004	100¼	–1/32	9.46	9.44
103 3/4	94½	Conversion 9½pc 2005	100 3/8	–1/32	9.44	9.42
111¼	102 5/8	Exch. 10½pc 2005	108 13/16	–1/16	9.63	9.41
125 3/4	115⅝	Treas. 12½pc 2003-05	122 3/8	–⅛	10.23	9.59
90⅝	82⅞	Treas. 8pc 2002-06‡‡	88 3/8	–1/16	9.02	9.33
105¾	97 1/16	Conversion 9¾pc 2006	103 13/16	–1/32	9.42	9.33
118 13/16	109 7/8	Treas. 11¾pc 2003-07	115 5/8	–1/32	10.13	9.59
96 3/4	87 13/16	Treas 8½pc 2007‡‡	93 7/8	–1/32	9.04	9.18
134⅝	123⅝	Treas. 13½pc '04-08	130 13/16	–1/16	10.32	9.53
101 1/4	92 3/8	Treas. 9pc 2008‡‡	98 5/8	–¼	9 12	9 14
92 1/4	84 3/4	Treas 8pc 2009	89 13/16	–⅛	8.90	9.09
102 1/4	93 3/4	Conv 9pc Ln 2011‡‡	99 3/8	–¼	9.05	9 05
68⅞	62 13/16	Treas. 5½pc 2008-12‡‡	66 13/16xd	–1/32	8 23	8 91
89⅞	82 3/4	Treas. 7¾pc 2012-15‡‡	87	–¼	8.89	9.04
132 3/4	121¼	Exch. 12pc '13-'17	128 3/4	–⅛	9.35	9.08

Undated

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
45⅝	41½	Consols 4pc	43 3/4	–1/16	9 21	–
40¼	36⅝	War Loan 3½pc‡‡	38 13/16	–1/32	9.29	–
70 13/16	60⅞	Conv. 3½pc '61 Aft.	66	–¼	5.31	–
41 7/8	31 13/16	Treas. 3pc '66 Aft.	35	–⅛	8.57	–
30¾	26	Consols 2½pc	27 3/4	–1/32	9 11	–
29½	25⅜	Treas. 2½pc	27¼	–1/32	9.17	–

Index-Linked

1989 High	Low	Stock (b)	Price £	+ or –	(1)	(2)
112⅝	103 3/4	Tr. 2pc '92‡‡(97.8)	112⅛	+⅛	1.89	2.87
104⅝	94 13/16	Do. 2 '94 (102.9)	104 13/16	+⅛	2.43	2.96
153½	139½	Do. 2pc '96(67.9)	153½	+⅝	2.78	3.15
129 13/16	118 3/4	Do 2½pc '01(78.3)	129 13/16	+½	3.21	3.46
127 3/4	115⅝	Do. 2½pc '03(78.8)	127 5/8	+⅜	3.29	3.51
130¾	117 13/16	Do. 2pc '06(69.5)	130¼	+⅜	3.35	3.53
121¼	110¼	Do. 2½pc '09(78 8)	121¼	+⅜	3.37	3.53
126 13/16	114 13/16	Do. 2½pc '11(74.6)	126 13/16xd	+½	3.38	3.53
105 13/16	95¼	Do. 2½pc '13(89.2)	105 13/16xd	+½	3.35	3.49
114 13/16	101½	Do. 2½pc '16(81.6)	114 13/16	+½	3.33	3.46
111 13/16	100¾	Do. 2½pc '20(83.0)	111 13/16	+½	3 30	3 42
94 13/16	84 13/16	Do. 2½pc '24‡‡(97.7)	94 13/16	+½	3.25	3.37

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for November 1988: 110.0 and for June 1989: 115.4.

INT. BANK AND O'SEAS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
108 13/16	99½	African Dv Bk 11¼ Ln 2010	106 3/4	–¼	10.48	10.38
104 3/4	96½	Asian Dev Bk 10¼pcLn2009	102 1/32	–⅛	10.03	9.98
130 3/4	119 13/16	Australia 13½pc 2010	126 3/4xd	–⅛	10 71	10.41
113 13/16	102 13/16	Do. 11¼pcLn2015	109 3/4	–⅛	10.42	10.34
108 13/16	99 3/4	Euro Inv Bk 11pc Ln 2002	105 13/16	–⅛	10.41	10.20
104 13/16	95 3/4	Do. 10¾pc2004	101 3/4	–⅛	10.22	10.16
119 3/4	109 13/16	Int-Am Dev Bk 12½pc 2003	115	–⅛	10.87	10.39
99¼	90 3/4	Do. 9¾pcLn 2015	96 13/16	–⅛	10.05	10.07
97½	91½	Mlysia 10¾pcLn 2009	94½xd		11.38	11.45
120	117	Utd. Mexican States 16½pc 2008	117		13.98	13.80

CORPORATION LOANS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
102	99½	Birmingham 13½pc 1989	99½		13.57	11.20
111½	102½	Do. 11½pc 2012	107½		10.70	10.60
91	86½	GLC 6¾pc 1990-92	88½xd		7 63	11.40
124½	14½	Leeds 13½pc 2006	121½		11.11	10.72
33	30	Liverpool 3½pc Irred	30		11.67	–
95½	92	LCC 6¾pc '88-90	95½		7.07	10.90
30	27	Do. 3pc '20 Aft.	28xd		10.71	–
107½	101½	Manchester 11½pc 2007	105½xd		10.90	10.80

COMMONWEALTH & AFRICAN LOANS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
89½	86½	NZ 7¼pc 1988-92	89		8.15	11.70
206	206	S Rhod 2½pc Non-Assd.	206		–	–
84½	84½	Do. 4½pc 87-92 Assd.	84½		5.33	9.33

LOANS

Building Societies

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99 13/16	98 13/16	N'wide Anglia 11 3/8pc 29.8.89	99 13/16		11.58	13 81
99 11/16	99 3/32	Do 12⅜pc 18.9.89	99 11/16		12 41	43.75
99 13/16	99 5/16	Do. 12 5/16pc 2.10.89	99 13/16		12.36	13 66
99 11/16	98 3/16	Do. 11 13/16pc 6.11.89	99 5/16		11 89	13 89
100	98 13/16	Do. 12 5/16pc 4.12.89	99 13/16		12 39	13 87
100 1/16	99 5/32	Do. 12 13/16pc 2.1 90	99½		12 98	13.56
100½	98¾	Do 12⅝pc 29.1.90	99⅝		12.64	13.75
100	98¾	Do. 12 13/16pc 26 2.90	99 3/4		12.76	13 75
100	98 13/16	Do. 12 5/8pc 19.3.90	99 13/16		12 95	13 75
100 1/16	99⅛	Do. 13⅜pc 23.4.90	99 13/16		13 43	13 72
100	99	Do. 13pc 14.5.90	99⅝		13 08	13.71
100	98⅝	Do. 13 11/16pc 4/6/90	99 5/8		13 70	13 67
100 13/16	100	Do 14 3/16pc 2 7 90	100 13/16		14 24	13.59
104	98½	Do. 3⅞pcIL Ln 2021	104xd		4 29	4.40

Public Board and Ind.

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
47	45	Met. Wtr. 3pc 'B'	46xd		6.52	10.62

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	40	Greek 7pc Ass.	40		3 50	†8 75
45	40	Do. 6pc 28 Stb. Ass	40xd		3	†7.50
45	40	Do 4pc Mixed Ass.	40xd		2	†5 00
80	65	Hung. '24 Ass	80		2 75	†3 57
139 13/16	128 13/16	Hydro Quebec 15pc 2011	135 13/16	–1/32	15 00	10 75
128 13/16	118 13/16	Iceland 14½pc Ln 2016	125 13/16xd	–1/32	14.50	11.35
97¼	91½	Ireland 9¾pc '91-96	95¼xd		9 75	11 20

AMERICANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39½	26⅛	Abbott Laboratories‡	39 3/4xd	–⅛	$1 40	–	2.3
579p	361p	♦Allegheny & W 1c	470p	–17	30c	–	4 0
17⅛	12 7/8	Amax $1	16 7/8xd	+⅛	80c	–	3 0
11⅜	6	Ambase Corp $1	9½xd	–¼	20c	–	1 5
15	865p	Amdahl 5c	971pxd	+20	n10c	–	0 7
36⅝	25½	Amer. Cyanamid $5	36⅝	+¼	$1 35	–	2 3
23¼	14 3/4	Amer. Express 60c	23½xd	–½	84c	–	2 3
16¼	854p	Amer. Medical Int. $1	15¼		♦72c	–	3 0
25	15⅜	American T. & T. $1	24 13/16	–1/16	$1.20	–	3 0
39⅝	26 3/4	Ameritech $1	37⅝	–¼	h$2 92	–	4 9
19 3/4	9⅝	BankAmerica $1 13/16	19⅛xd	–1/16	60c	–	2 0
34⅛	19⅛	Bankers N.Y $1	32 13/16xd	–1/16	$2.08	–	4 0
60⅜	38½	Bell Atlantic $1	60¼		$4 04	–	4.2
33¼	19⅞	BellSouth Corp.	32½	–¼	$2 52	–	4.9
15⅞	12 3/4	♦Bethlehem Steel $8	14¼xd		–	–	–
11⅝	868p	♦Bio-Rad Labs. A	979p	+12	–	–	–
20¼	15¼	Bowater Inc.	18⅝	–⅞	$1.12	–	3 8
12⅞	9¼	Brunswick 75c	10 3/4xd	+⅛	44c	–	2 7
42⅛	28⅛	CPC Intnl. 25c	40⅝	+⅛	$1.60	–	2.5
798p	333p	California Engy	597p	–2	–	–	–
36 13/16	17¼	Campbell Soup 15c	34⅝xd	+1 5/16	92c	–	1 7
25⅞	15 3/4	Chase Manhattan $12½	23 13/16xd	–1/16	$2 36	–	6 2
24¼	17	Chem. Banking Corpn.	23⅞	–⅛	$2 72	–	7 2
16⅞	13⅞	Chrysler $6¼	15 3/4xd	–⅛	$1.20	–	5 0
22 3/4	14 3/4	Citicorp $1	19⅝xd	–⅛	$1.62	–	5 2
230p	107p	CityFed Fin Corp	115p	–9	4c	–	2 2
35½	25¼	Colgate-Palmolive $1	35¼xd	–⅛	s$1 48	–	2 7
17	10¼	Cont'l Bank Corp $4	15½		86c	–	3 3
387½p	218p	♦Corporate Data Scnce	290p		–	–	–
597p	278p	Cullinet Sftwr 1c	578p	+13	–	–	–
27½	21 3/4	Dana Corp. $1	26½	–⅛	$1 60	–	3 9
12	854p	Data General	10½	–¼	–	–	–
38	28⅝	Dun & Bradstreet $1	37⅛	+¼	$2.00	–	3 4
41¼	30½	Eaton Corpn. 50c	40xd	–¼	h$2.00	–	3 2
11½	8⅞	Echlin Inc.	11½	+¼	70c	–	4 0
20⅝	16⅞	FPL Group 1c	20¼xd	–⅛	$2 28	–	7 1
32⅞	27⅝	Ford Motor $1	31 3/4xd	–⅛	$3.00	–	6 1

Continued on next page

	Bid Price	Offer Price	+ or –	Yield Gross
Group One Limited				
Merrill Lynch Intl & Co c/o MLE				
US S&P 500 Index Ser L	$312.35	327.03	0.02	2.83
US GNMA Class Ser IJ	$–	–	–	–
US GNMA Class Ser IK	$–	–	–	–
Shearson Lehman Hutton Securities				
Utility Value Trust	$1170.57	–	+1.82	7.03
Utility Value Trust 3	$1080.01	–	+0.27	7.13
Merrill Lynch Asset Management				
Dollar Assets P'folio	$1.00			–
First Convertible Secs	$12.26			–
Global Equity P'folio	$10.75			–
Merrill Lynch Global Currency Portfolios				
Aust. Dollar P'folio	A$10.82		+0.04	–
Deutschmark P'folio	DM10.35		+0.03	–
Pound Stlg P'folio	£10.56		+0.04	–
Schroders Australia Ltd				
Schroder Aust Sh.	A$5.48	5.92		–
Scimitar Bermuda Funds				
Scimitar Futures Fd	$2.215	2.326		–
Guaranteed Fd				–
Segespar Securities (Bermuda) Ltd				
	$19,558.92			–

Money Market Bank Accounts

Gartmore Money Management Ltd
2-3 White Hart Yard, London SE1R 1NX. 01-236 1425

Call Fnd	13.54	10 60	14 51	6-Mth
7-day Fund	13 65	10.69	14 63	6-Mth
Special Fund	13 44	–	14.30	Mth
Dollar	7.87	6.16	8.40	3-Mth

Money Market Trust Funds

LONDON SHARE SERVICE

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AMERICANS – Contd

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
36⅝	24¼	Gen. Elect. 63c	36⅛	−½	$1.64	–	2.9
568p	460p	♥General Host Corp $1	485p	+13	30c	–	3.9
39⅛	18¼	Gillette $1	27⅛	−¼	96c	–	2.2
987p	601p	Gt Am First Svgs Bk $1	709p	+13	60c	–	5.4
23⅝	16⅞	Greyhound $1½	21⅝	−⅛	$1.32	–	3.9
14¼	847p	Hasbro Inc 50c	12⅞xd	−¼	16c	–	0.8
55½	32⅛	Honeywell $1½	55xd	−½	$2.10	–	2.4
21⅜	15¼	Houston Inds.‖	21⅜	.....	$2.96	–	8.8
74⅝	63⅞	IBM Corpn $1¼	73⅞xd	+⅜	$4.84	–	4.2
60p	45p	♥Image Storage/R Svs 1c	58p	.....	–	–	–
29⅝	18½	Ingersoll-Rand $2	29⅞xd	−⅛	$1.20	–	2.6
33	22½	Lockheed Crpn. $1	30⅝xd	+⅛	$1.80	–	3.7
22⅝	15⅞	Lone Star Inds $1	21½	−⅛	$1.90	–	5.6
25	17½	Louisiana Land 15c	24⅝xd	.....	$1.00	–	2.6
17⅛	11½	Lowe's 50c	16¼	−⅛	48c	–	1.8
26⅛	15⅞	Manuf. Hanover $1	25⅛	−¼	$3.28	–	8.2
22⅞	13⅞	Merrill Lynch $1	22	−⅛	$1.00	–	2.9
2253p	1910p	Molex Inc	2236p	+83	3.2c	–	–
27⅞	16⅛	Morgan (JP) $2½	25⅜xd	.....	$1.66	–	4.1
54½	36⅛	NYNEX $1	49½	−⅛	$4.36	–	5.6
24⅝	18¼	PHH Corp.‖	23⅝	+½	$1.12	–	3.0
259p	180p	♥Pacific Agr‖	182p	.....	–	–	–
27¼	19	Pacificorp $3¼	25⅜xd	.....	$2.76	–	6.5
27⅜	16⅞	Pacific Telesis 10c	27	−⅛	$1.88	–	4.4
22⅛	15¼	Pall Corp. 25c	20½	−½	48c	–	1.5
55⅝	39⅞	Pennzoil 83 1/3c	49½xd	−¼	$3.00	–	3.8
42¼	28⅜	Quaker Oats $5	39¾	−⅛	$1.20	–	1.9
32⅜	23½	Rep NY Corpn $5	31⅜xd	−⅛	$1.28	–	2.6
15⅛	11⅞	Rockwell Intl. $1	14⅞xd	−⅛	78c	–	3.4
35½	21⅛	Southwestern Bell $1	35¼	−¼	$2.60	–	4.7
27⅞	17⅞	Sun Co. Inc $1	23¼xd	−⅛	$1.80	–	4.8
30½	22⅞	TRW Inc. 62½c	30¼xd	−⅛	$1.72	–	3.6
22¼	14⅛	TW Services $5	21¼	+⅛	10c	–	0.3
38⅞	26⅞	Tenneco $5	37⅞xd	−½	$3.04	–	5.1
35⅞	28	Texaco $6.25	32⅝xd	−¼	♦$3.00	–	5.8
28⅞	21⅝	Texas Instr. $1	25⅝xd	−¼	72c	–	1.8
117⅞	58⅝	Time Inc. $1	87⅞	−⅞	$1.00	–	0.7
18⅞	15⅞	TRINOVA Corp	17⅜xd	+⅛	s68c	–	2.4
24¼	16	USX $1	21⅞xd	−⅛	$1.40	–	4.1
230p	126p	♥Unilab	230p	.....	–	–	–
33⅞	22¼	Utd. Technologies	33⅛xd	−⅛	$1.60	–	3.0
158p	126p	♥Utilitech Inc	148p	.....	–	–	–
46½	31½	US West‖	44¼	−⅝	$3.76	–	5.3
36⅛	22⅝	Waste Management $1	35⅞xd	−⅛	48c	–	0.9
20¼	13½	Whirlpool $1	20⅛	+¼	$1.10	–	3.5
24⅛	16⅞	Whitman Corp	21⅞	−⅛	$1.02	–	3.0
37⅞	28⅛	♥Woolworth $3½	37⅞	+½	$1.88	–	3.2

CANADIANS

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
168p	129p	♥ABM Gold Corp‖	151p	−2	–	–	–
25½p	4½p	♥Abbot Energy Corp	24¾p	−½	–	–	–
16⅛	902p	♥Amer. Barrick Res	16¼	−¼	–	–	–
28p	10½p	♥Armeno	25¾p	−2½	–	–	–
344p	94p	♥Asiamerica Hldgs‖	296p	+4	–	–	–
53½p	8½p	♥Augmitto Explo	17½p	.....	–	–	–
18¼	12⅞	Bk. Montreal‖	18⅛xd	−⅛	$2.12	–	6.0
10⅛	655p	Bk. Nova Scot.‖	981pxd	−16	92c	–	4.8
821p	599p	♥BC Gas $1	803p	−1	60c	–	3.8
22¼	17	BCE‖	22¼	.....	$2.44	–	5.6
848p	570p	♥Bow Valley‖	744p	−1	♦40c	–	2.8
16⅞	12⅛	♥Brascan‖	16¼	.....	88c	–	2.7
228p	144p	♥Breakwater Res	153p	−1	10c	–	3.4
17¼	11¼	Can.Imp Bank‖	16⅜	−¼	$1.24	–	3.9
588p	374p	Central Capital "A"‖	546p	−6	–	–	–
498p	340p	♥Corona Corp	448p	+16	–	–	–
381p	228p	♥Cons TVX Min	367p	−5	–	–	–
775p	524p	♥Derlan Inds.‖	645p	−6	11.75c	–	0.9
10⅛	751p	♥Echo Bay Mines	10⅛	.....	$0.07	–	0.4
572p	336p	♥ECO Corp‖	388p	−17	–	–	–
236p	178p	♥Galactic Resources	187p	−2	–	–	–
387p	243p	Gandalf Techs. Inc	381p	−2	–	–	–
186p	129p	Granges Inc.‖	179p	−7	–	–	–
27½p	5¼p	♥Gt Pacific Res	8p	.....	–	–	–
812p	651p	♥Gulf Canada‖	757p	−14	52c	–	3.5
14⅛	10¼	♥Hawker Sid Can‖	14¼	−⅛	$1.08	–	3.9
653p	348p	♥Henlys Group	579p	−19	–	–	–
18⅞	11⅛	♥Hudson's Bay‖	17	−¼	60c	–	1.8
31¼	23	♥Imperial Oil‖	29⅝	−⅛	$1.80	–	3.1
21⅛	14⅛	Inco‖	21⅛xd	+⅛	s$0.80	–	2.4
		For Inland Nat. Gas see BC Gas					
290p	102p	♥Madeleine Mines	176p	−2	–	–	–
193p	121p	♥Muscocho Expln	137p	+7	–	–	–
126p	84¼p	♥Nevada Goldfields	111p	+10	–	–	–
593p	522p	Nova Corp of Alberta	528pxd	−1	42c	–	4.1
14⅛	10⅞	♥Rio Algom	13⅛	+¼	85c	–	3.3
25	17¼	Royal Bk. Can.‖	24⅛xd	−⅛	$2.20	–	4.7
47⅛	33⅛	Seagram‖	49⅛	.....	US$1.40	–	1.8
112p	74½p	♥Sonora Gold Corp‖	89p	−4	–	–	–
109p	42½p	♥Tam Pure Tech. Corp‖	68½p	−½	–	–	–
11⅞	806p	Toronto-Dom. Bk‖	11⅝	+⅛	h76c	–	3.4
842p	686p	♥Trans Can Pipe	842p	+11	68c	–	4.1
184p	145p	Varity Corp‖	184p	+9	6	–	–

BANKS, HP & LEASING

1989 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
°278	216	ANZ $A1	247	−2	sQ34½c	2.0	6.3	7.9
162	143	Abbey National 10p. α	144½	.....	L7.7	2.7	7.1	5.9
°182	120½	Allied Irish Ord. β	178	−1	hQ68%	♦	4.0	♦
£13½	£11¼	Algemene Fl.10	£13¼	−⅛	Q27%	1.9	5.8	–
°80	61	Anglo Irish γ	75	.....	sQ12¼%	4.0	5.3	12.7
79	75	Ansbacher (H.) 1p. β	76	.....	2.0	–	3.5	–
£64⅛	£38⅛	Bancaire Cie Fr100	£64⅛	+1⅞	hQ12¼%	–	1.5	–
£44	£35¼	Banco Bilbao Viz	£44	+¼	Q35.7%	2.0	3.0	16.9
£33	£26	Banco de Santander	£30¾	+⅛	Q21%	2.4	2.5	16.9
°250	169	Bank Ireland Ir£1 β	250	.....	hQ23%	3.2	4.1	9.7
£19½	£17½	Bank Leumi	£19½	+2	–	–	–	–
350	345	Bank Leumi (U.K.)	345xd	.....	†13.5	–	5.2	–
109	88	Bank Scotland β	108	.....	3.8	3.6	4.7	7.8
111½	102½	Do. 9¼pc Irrd Pf γ	107½	.....	9¼%	–	11.5	–
°67	52	Bank of Wales	57	.....	2.8	1.6	6.5	11.9
°522	404	Barclays £1 α	522	+4	†23.0	3.5	6.0	5.8
31	27	Benchmark 20p γ	29	.....	1.63	1.0	7.5	16.7
354	334	Brown Shipley £1 β	348	−2	10.5	–	4.0	–
80	57	Business Mort Tst. γ	80	.....	♦	–	–	9.7
430	325	Cater Allen £1 β	393	−2	23.5	–	8.0	–
259	201	Chancery γ	219	.....	8.0	2.8	4.9	9.6
£18⅛	£14½	Commerzbk DM10	£17	−⅛	Q18%	–	3.4	–
°£25⅜	£22⅛	C'hgn. Hbk. Kr100	£25⅝	−1	gnQ15%	–	4.8	–
£16⅞	£12⅞	Dai Ichi KBk Y50	£15⅝	+¼	Q15%	2.4	0.2	–
°£22⅝	£15⅝	Deutsche Bk DM50	£22⅛	−⅛	Q24%	–	1.7	–
260	219	First Nat. Fin. 10p β	229	−1	†11.5	2.8	6.7	6.5
134	110	FNFC 6.3pc CvRedPref γ	116	.....	6.3%	–	7.2	–
£16½	£14⅞	Fuji Bank Y50	£16½	+⅛	Q15.6%	♦	0.2	♦
295	253	Gerrard & National β	265	+1	18.5	–	9.3	–
144	113	Goode Durrant 5p β	133xd	.....	4.5	–	4.5	–
147	118	Guinness Mahon 10p β	146	.....	♦1.2	–	1.1	–
255	198	Hambros 20p β	210	.....	10.0	–	6.3	–
101	97	Do. 7.5pc Cv Pf γ	100	.....	7½%	–	10.0	–
52	39	Hk & Shang. HK$2.50	43	.....	HQ36c	–	6.7	–
495	470	Joseph (Leo) £1 γ	490	−5	15.85	–	4.4	–
140	128	King & Shaxson 20p γ	130	.....	9.25	–	9.5	–
344	277	Kleinwort Benson Grp β	334	+1	14.0	–	5.6	–
388	321	Lloyds £1 α	387xd	+2	†16.8	4.5	5.8	5.1
48	40	Lon Scot. Bank 10p γ	47	.....	†2.05	1.9	5.8	10.8
388	291	Midland £1 α	342	+1	†h16.4	3.3	6.5	6.2
£15¼	£12⅝	Mitsubishi Bank Y50	£15	+¼	Q15%	♦	0.2	♦
£13⅞	£11¼	Mitsubishi Tst & Bk Y50	£13⅞	+⅛	Q16%	8.2	0.3	47.6
321	257	Morgan Grenfell £1 β	316	−2	10.85	–	4.6	–
°335	269	Nat. Aust. Bk. A$1	300	−1	sQ32c	1.5	4.8	13.7
335	255	Nat. West. 100p α	334	+3	†h14.12	4.4	5.7	5.2
£210	£160	Ottoman Bank	£180	+10	Q90%	–	5.0	–
83	62	Rea Bros. Group γ	71	−2	0.5	–	0.9	–
°240	155	Rothschild (J) Hldgs. β	228	+1	9.5	3.3	5.8	6.9
455	348	Royal Bk. Scotland α	447	+4	†15.0	4.9	4.5	6.1
£13¼	£10⅞	Sanwa Bank Y50	£13¼	+⅛	Q16%	♦	0.3	♦
175	124	Scandinavian Bk Units β	161	+1	8.5	–	7.0	–
1275	870	Schroders £1 γ	1265	−5	19.5	–	2.1	–
1005	655	Do. £1 N/V γ	1000	.....	19.5	–	2.6	–
£32¼	£19⅛	Sec. Pacific $10	£31⅞	.....	Q$1.96	–	3.9	–
°567	499	Standard Chartd. £1 α	533	+2	33.9	2.9	8.5	4.6
£19⅞	£15⅛	Sumitomo Bank Y50	£17¼	+½	Q15%	7.5	0.2	69.2
£13⅞	£10⅞	Sumitomo Tst & Bk Y50	£13⅛	+⅛	Q16%	8.1	0.3	45.4
133½	101	TSB α	111	.....	†5.24	3.1	6.5	6.7
234	164	TSB Ch'nel Is'l β	188	.....	†Q6.1	3.5	3.2	9.5
548	470	Union Discount £1 β	545	.....	30.0	–	7.3	–
384	277	Warburg (S.G.) β	379	+1	12.5	–	4.4	–
134	98	Do 6pc Cnv Prf γ	131	.....	6%	–	6.1	–
°284	226	Westpac $A1	258	−3	sQ33c	1.7	5.8	10.1
468	443	Wintrust 20p γ	454	.....	7.8	♦	2.3	♦

Hire Purchase, Leasing, etc.

1989 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
545	224	Anglo Grp. 10p α	489	−2	5.0	3.8	1.4	20.8
£190	£152	Do 9½pc 1999 γ	£168	.....	Q9½%	–	56.5	–
°373	240	CLF Yeoman 50p γ	280	+5	sLQ26.6%	3.4	3.7	8.9
100	51	♦Capital Leasing Ir.10p γ	95	+4	LQ13.2%	♦	1.2	♦
78	55	Castle's (Hdgs) 10p β	72	.....	3.25	2.2	6.0	10.2
38	24	Equity & Gen 5p γ	29	.....	1.5	1.7	6.9	10.3
365	312	Prov Financial β	331	−2	18.0	2.1	7.3	9.0
220	100	♦Reflex Invs. Ir5p γ	215	.....	Q26.4%	♦	0.5	♦
236	146	Secure Trust Grp. 1p γ	233	.....	W7.09	1.5	4.1	11.8
187	127	Woodchester IR20p γ	184	+2	Q11¼%	6.2	1.0	18.2

BEERS, WINES & SPIRITS

1989 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
529	427	Allied-Lyons α	524	+5	15.0	2.2	3.8	13.5
£29	£17⅛	Anheuser-Busch $1	£26⅞xd	−⅛	72c	–	1.5	–
1100	793	Bass α	1084	+2	†23.5	3.4	2.9	13.4
203	160	Boddington β	184	+4	4.3	2.5	3.1	16.7
190	135	Bulmer (H.P.) 5p β	180xd	.....	6.95	♦	5.1	♦
255	193	Burtonwood Brewery β	252	.....	3.55	2.5	1.9	28.3
450	402	Clark (Matthew) γ	435	−3	13.0	♦	4.1	♦
°344	279	Devenish (J.A.) 5p β	334	.....	F4.44	3.9	1.8	15.9
253	210	Do 4.5pc Cv 2ndPf γ	230	−5	4½%	25.3	2.6	–
242	202	♦Eldridge Pope "A" 50p β	285xd	.....	†h3.6	3.4	2.4	16.3
455	385	♦Fuller, S.T.A. γ	395xd	.....	4.45	4.4	1.5	20.1
629	425	Grand Metrop. 50p α	628	+6	†15.0	2.9	3.2	13.0
352	258	Greenall Whitley β	348	−1	†7.25	3.3	2.8	13.7
165	129	Do. 5.95pcCvPf£1 γ	164	.....	5.95%	–	4.8	–
622	447	Greene King β	532	+3	8.7	3.6	2.2	16.3
588	329	Guinness α	588	+6	11.5	3.0	2.6	15.3
165	103	Do. 5¾pc Cnv Prf γ	164	+1	5.75%	25.0	4.7	–
£198	£119	Do 8¾pcCvLn γ	£198	+1	Q8¾%	69.0	4.2	–
242	135	Highland Dists 20p β	242	+2	12.82	2.7	1.6	32.1
°550	183	Macallan-Glenlivet γ	455	+5	b0.88	5.7	0.3	14.3
1930	1335	Macdonald Martin 'A' γ	1900	.....	sa24.0	2.1	1.7	37.2
515	455	Mansfield Brewery γ	502	.....	9.5	3.5	2.5	15.0
226	166	Marston Thompson β	225	.....	3.36	3.1	2.0	21.7
435	363	♦Merrydown Wine β	435	+2	6.5	♦	2.0	♦
790	647	Morland β	798	+2	†9.05	4.8	1.5	17.1
449	284	Scott. & New 20p α	395	+9	10.83	2.2	3.7	16.2
337	273	Vaux Group 10p β	326	+2	†6.53	2.3	2.7	21.2
383	299	Whitbread 'A' α	383	+10	12.55	2.4	4.4	11.8
494	412	Wolv. & Dudley β	454	+3	†7.0	4.2	2.1	15.4
535	500	Young Brew 'A' 50p γ	535	.....	10.2	1.8	2.5	28.6
455	420	Do. Non V. 50p γ	450	.....	10.2	1.8	3.0	24.1

BUILDING, TIMBER, ROADS

1989 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
536	329	AMEC 50p β	473	+5	17.0	2.6	4.8	8.8
132	89	Do. 6½p Cm Cv Pf γ	117	.....	6½%	–	7.6	–
204	160	Abbey γ	170	.....	26.8%	♦	4.5	♦
116	104	♦Allen 5p γ	104	−2	L4.2	2.8	5.4	8.1
°460	163	Anglia Sec 10p β	163	−1	4.0	6.6	3.3	6.2
58½	39	Anglo Utd γ	58	.....	1.2	♦	2.8	♦
258	163	Arncliffe 10p γ	218	.....	†6.0	5.9	3.7	5.4
329	245	♦Ashtead Group 10p γ	325	.....	2.5	♦	1.0	♦
516	285	Attwoods 5p β	492	−2	†7.0	2.3	1.9	25.6
165	118	♦BM SS 10p γ	153	.....	4.0	3.8	3.5	9.3
275	218	BPB Inds. 50p α	254	−1	10.75	2.8	5.6	7.8
219	147½	Baggeridge Brick γ	162	−2	†h2.5	6.0	2.1	10.8
146	90	Bailey (Ben) 10p γ	112	.....	†2.2	5.7	2.6	8.9
180	125	Baldwin 10p γ	133	.....	†2.0	1.3	2.0	46.5
236	198	♦Ball (A.H.) 5p γ	214	.....	L6.0	1.9	3.7	17.2
94	65	♦Banner Homes 10p γ	71	.....	2.8	3.9	5.3	6.4
209	166	Barratt Dev. 10p β	181	+½	†11.16	2.1	8.2	7.7
268	199	Bellway β	202	−1	†10.0	3.5	6.6	5.8
98	46	Bellwinch 10p γ	49	.....	3.75	3.5	10.2	3.3
261	187	Berkeley Group β	195	−2	4.5	7.6	3.1	5.7
151	103	Bett Bros 20p γ	130	.....	†3.85	2.8	3.9	12.1
220	152½	Blockleys 20p γ	188	−5	†4.35	3.2	3.2	13.0
307	210	Blue Circle 50p α	276	+4	10.0	2.3	4.8	11.3
169	118	Do. 7⅝pc Cv Rd Pf γ	149	+1	7⅝%	–	6.8	–
153	108	Breedon γ	142	−1	3.75	2.1	3.5	17.1
395	325	BB & EA	395	.....	4.0	♦	1.4	♦
193	132	British Dredging β	171	.....	6.0	2.0	4.7	13.9
136	93	Bryant Group β	102½	−1	†4.3	3.8	5.6	6.3
138	103	♦Bucknall Austin 1p γ	138	.....	3.9	2.8	3.8	12.1
150	120	CALA 5p γ	128	−3	†2.75	4.7	3.1	8.4
57	29	♦CCS Group 20p γ	44	−1	L0.45	1.6	1.4	62.1

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LONDON SHARE SERVICE

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LEISURE

1989 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
7	4½	A & M Group 1p	4½	−⅛	−	−	−	−
£77½	£60	Do. 10pc Cv Uns Ln 1998	£60	.....	Q10%	−	16.7	−
170	143	Airtours 10p	162	+1	†6.25	3.2	5.1	7.3
309	195	Anglia TV	308	.....	†7.75	3.3	3.4	12.0
*158	109	Avesco 1p	150	−1	g1.13	8.9	1.0	13.1
54	22	BCE Hldgs 5p	22	.....	0.4	−	2.4	−
379	275	Barr & W.A.T. 'A'	370	.....	15.0	1.7	5.4	14.9
22	11	Bond Media	14	+1	Q2c	−	6.5	−
540	223	Boosey & Hawkes	505	.....	10.0	2.5	2.6	20.0
54	35	Border T.V.	52	.....	2.0	♦	5.2	♦
403	317	Brent Walker 10p	382	−3	11.0	3.6	3.8	7.7
117	87	Do 6pc Cv.Cm.Rd.Pf	109	.....	6.0	−	7.3	−
*98	80	Buckingham Int'l 10p	97	−1	−	−	−	−
344	245	Campari Int. 20p	288	+2	8.5	3.9	3.9	7.5
878	504	Capital Radio 10p	878	.....	†10.0	3.6	1.5	23.9
912	662	Carlton Communications	855	+12	†7.5	5.2	1.2	23.1
422	268	Castle Commns. 5p	422	.....	†7.2	2.1	2.3	25.3
813	579	Central ITV	813	.....	25.5	2.5	4.2	12.4
248	126	Chrysalis	171	.....	a3.49	0.1	2.7	−
251	101	Cityvision 5p	251	+3	†1.0	10.1	0.5	24.7
38	17	Classic Th'breds (a) 20	18	.....	−	−	−	−
390	258	Compass Group 5p	390	+5	†7.2	2.7	2.5	20.1
105	69½	European Leisure	101½	−½	††62%	29.9	0.1	37.9
110	68	Ex Lands 10p	75	.....	0.5	−	0.9	−
*117	95	Expedier Leis. 20p	111	+3	−	−	−	30.3
653	437	Fairline Boats 10p	603	−2	†13.5	5.6	3.0	7.9
214½	149	First Leisure	214½	+4½	12.93	3.3	1.8	21.6
755	625	GWR Group 20p	735	.....	13.0	11.3	0.5	19.1
73	45	Grampian TVA 10p	47	.....	3.0	2.8	5.8	7.9
31	20	Greenwich Comm.	24	.....	−	−	−	−
126	85	HTV Ord	110	.....	†f3.9	3.9	4.7	7.2
192	90	Hanimex A$0.25	95	+2	Q17c	♦	8.4	♦
137	112	Hi-Tec Sports	126	+1	4.5	3.2	4.8	8.8
27½	13	Ind'l Media Comm. 5p	16	−1½	−	−	−	−
255	180	Invicta Sound 10p	220	.....	R2.7	2.8	1.6	29.5
96	55	Juliana's Hldgs 2p	94	.....	†3.0	1.5	4.3	20.1

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES – Contd

1989 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
	79	Smallshaw (R.) 10p	100	.....	3.0	3.2	4.0	10.4
	41	Stoddard Srs 10p	44	.....	2.5	♦	7.9	♦
	116	Text'rd Jrsy. 10p	168	−2	7.0	♦	5.7	♦
	343	Tomkinsons	343	−5	†10.5	5.1	4.1	6.3
	117	Tootal	123	+1	4.85	1.7	5.1	13.7
	382	Toray Y50	448	−4	Q12%	1.3	0.6	−
	24	West Trust 2½p	27	+1	†gd2.5	1.2		12.8
	185	Yorklyde 10p	220	.....	9.0	3.5	5.5	6.9
	18	Youghal	18	.....	−	−	−	17.3

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

1989 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
295	230	Oceana Development	270	.....	♦2.2	2.0	1.1
109	100	Olim Conv. Tst	107	.....	N7.5	−	9.3
102½	99	Do Zero Cpn Prf	102½	.....			
248	178	Overseas Inv Tst	248	.....	†1.86	1.0	1.0
89	45	Do. Warrnts	89	+1			
255	136	Pacific Assets 50p	249	.....	0.85	1.0	0.5
183	55	Do. Warrants	158	+1			
91	62	Paribas French Inv. Tst	91	+2	0.85	♦	1.2
90	70	Pentland Group	79	.....	†2.2	1.1	3.7
53	43	Pentonal Assets	53	.....	s1.0	1.1	2.5

Finance, Land, etc

OIL AND GAS

OIL AND GAS – Contd

1989 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
185	135	Intl Pet Crpn	139	−2	−	−	−	6.9
27	13	KCA Drilling 1p	28½	.....	−	−	−	−
65	34	Kelt Energy 10p	56	−1	−	−	−	−
93	58	Do. 6pc Cv. Prf	86	−2	6%	−	9.3	−
103	55	Kingston Oil & Gas 50p	101	.....	†Q1.75c	5.9	1.1	15.7
3	1½	Lennard Oil 50c	2	.....	−	−	−	−
*542	400	LASMO	508	−4	8.5	0.2	2.2	−
175	138	Do. "Ops" 10p	145	.....	21.61	−	19.9	−
104	99½	Do 9¾pc CnRdPf £1	104	.....	9.63%	−	12.3	−
28	12	Lysander Pet. 5p	18	.....	−	−	−	41.6
*24	11	Marinex 10p	17	.....	−	−	−	−

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES – Contd

1989 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
45	35	Ayer Hitam SM1	48	.....	‡M53.3c	0.7	‡
75	38	Gopeng Berhad M$0.50	75xd	.....	†Q10c	2.0	3.0
94	47	Malaysia Mng. 10c	71	+3	Q5c	4.0	1.6
180	120	Petaling SM1	160	.....	Q87c	1.0	12.4
150	90	Sungei Besi SM1	125	.....	Q70c	1.4	12.7
90	90	Tanjong 15p	90	.....	−	−	−

Miscellaneous

THIRD MARKET

1989 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
40	35	Vizcaya Hldgs 5p	35	.....	−	−	−	−
39½	23	Whitegate Leisure 20p	38½	.....	−	−	−	−
27	10	Do. Wrrnts	27	.....	−	−	−	−
10¼	5	Wilton Group 1p	8	.....	−	−	−	−

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♦ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
†† Not officially listed.
# Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
♦ Merger bid or reorganisation in progress
♣ Not comparable
♠ Same interim; reduced final and/or reduced earnings indicated
§ Forecast dividend; cover on earnings updated by latest interim statement.
† Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv 20p	96	.....
Craig & Rose £1	830	.....
Finlay Pkg. 5p	86	.....
Holt (Jos) 25p	1343	+18

IRISH

Stock	Price	+ or −
Cap. 9¼% Ln 1991	£98⅝	.....
9pc Cap Ln. 1996	£101⅝	−¼
Fin. 13% 97/02	£122¼	.....
Arnotts	415	.....
Carrol (P.J.)	155	.....
Hall (R. & H.)	168	.....
Heiton Hldgs.	85	−1
Irish Ropes	215	.....
United Drug	155	+5

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	38
Amstrad	11
BAT	80
BOC Grp	42
BSR	6½
BTR	32
Barclays	42
Blue Circle	24
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord	18
Cadburys	46
Charter Cons	40
Comm Union	32
Courtaulds	30
FKI Babcock	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	110
Grand Met	48
GUS 'A'	90
Guardian	18
GKN	34
Hanson	16
Hawker Sidd	60
ICI	100
Jaguar	28
Ladbroke	28
Legal & Gen	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	58
Marks & Spencer	15
Midland Bk	50
Morgan Grenfell	24
Nat West Bk	25
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect	40
RHM	42
Rank Org Ord	80
Reed Intnl	34
STC	32
Sears	10
Smithkline Bchm. A	50
TI	38
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	18
Wellcome	42

Property

Brit Land	32
Land Securities	52
MEPC	50
Randsworth	28

Oils

Brit Petroleum	21
Burmah Oil	50
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines

Cons Gold	150
Lonrho	30
RTZ	48

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar up but lacks incentive

TRADING VIRTUALLY took on a bank holiday mood on the foreign exchanges yesterday. The market was extremely quiet, lacking incentives at a time of very little economic news.

The main focus of attention was publication of the US Federal Reserve's "Tan Book", but most of the information contained was already known by the market and it had little impact on the dollar. The report on current economic conditions suggested that manufacturing activity shows slow growth in several districts and that in some areas production has declined. Car sales were reported to be weak.

There was no review of the general outlook for inflation in the Fed's publication. It will be used by the Federal Open Market Committee in formulating monetary policy at its next meeting on August 22.

The result of the US Treasury's three-year note auction did not provide any guidance for the remainder of the $29.5bn quarterly refunding programme. There was said to be a lack of interest by individual investors, but the average yield of 7.93 per cent for three-year paper was in line with expectations, and the net result was considered rather better than had been feared.

There is no sign that Japanese participation in today's auction of 30-year bonds will be particularly aggressive, and it was suggested in Tokyo that Japanese institutions have probably completed their buying of dollars for the auction. On the other hand the result of the three-year auction did not point to a disaster for the rest of the refunding package.

The next test for the dollar may come from publication of US producer prices and retail sales on Friday. In the meantime the currency is likely to trade in a narrow range. At the close in London yesterday the dollar rose to DM1.9005 from DM1.8905; to Y139.20 from Y138.75; to SFr1.6355 from SFr1.6265; and to FFr6.4225 from FFr6.3950. On Bank of England figures, its exchange rate index rose to 69.8 from 69.6.

Sterling failed to maintain its upward momentum, but high yielding currencies remained in demand, including the Canadian and Australian dollars. The pound also lacked news to provide direction, and it tended to drift lower.

It fell 90 points to $1.6170 and declined to DM3.0725 from DM3.0750; to Y225.00 from Y225.50; and to FFr10.3850 from FFr10.3975, but was unchanged at SFr2.6450. According to the Bank of England sterling's index fell 0.2 to 91.9, finishing at the lowest level of the day.

The Canadian dollar stayed in demand. A level of C$1.1700 is regarded as an important technical level for the US dollar. It was suggested that the Bank of Canada will consider cutting its bank rate if the US currency falls below this point. For most of yesterday the US dollar hovered around C$1.1700-1.1705 and closed at that level.

The Australian dollar rose to 76.75 US cents from 76.55 cents in Sydney and climbed to 76.80 cents at the close in London.

£ IN NEW YORK

Aug.9	Latest	Previous Close
£ Spot	1.6295-1.6305	1.6255-1.6265
1 month	0.66-0.65pm	0.68-0.67pm
3 months	1.95-1.92pm	1.95-1.92pm
12 months	7.40-7.30pm	6.75-6.60pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Aug.9	Previous
8.30 am	92.1	91.9
9.00 am	92.0	92.0
10.00 am	92.1	92.0
11.00 am	92.0	92.0
Noon	92.0	92.0
1.00 pm	92.0	92.1
2.00 pm	92.0	92.1
3.00 pm	92.0	92.1
4.00 pm	91.9	92.1

CURRENCY RATES

Aug.9	Bank rate %	Special* Drawing Rights	European † Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

§ Sterling quoted in terms of SDR and ECU per £. † European Commission Calculations. * All SDR rates are for Aug.8

CURRENCY MOVEMENTS

Aug.9	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Aug.8

OTHER CURRENCIES

Aug.9	£	$
[illegible]	[illegible]	[illegible]
Singapore	3.1515-3.1565	1.9490-1.9510
S. Af (Cm)	4.3280-4.3430	2.6805-2.6820
S. Af (Fn)	6.6210-6.7595	4.0985-4.1840
Taiwan	41.50-41.60	25.70-25.75
U.A.E.	5.9670-5.9705	3.6720-3.6730

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Aug.9	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4417	+2.32	+1.08	±1.5424
Danish Krone	7.85212	8.06293	+2.68	+1.44	±1.6419
German D-Mark	2.05853	2.07501	+0.80	-0.44	±1.1019
French Franc	6.90403	7.02076	+1.69	+0.45	±1.3719
Dutch Guilder	2.31943	2.33974	+0.88	-0.36	±1.5019
Irish Punt	0.768411	0.776796	+1.09	-0.15	±1.6689
Italian Lira	1483.58	1492.32	+0.59	-0.04	±4.0815
Spanish Peseta	130.000	130.174	+0.13	-	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Aug.9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6130-1.6250	1.6165-1.6175	0.67-0.65cpm	4.90	2.03-1.18pm	3.97
Canada	1.8905-1.8995	1.8955-1.8965	0.24-0.16cpm	1.27	0.82-0.68pm	1.58
Netherlands	3.46-3.47¼	3.46-3.47	2-1¾cpm	6.49	5¾-5½pm	6.49
Belgium	64.20-64.60	64.20-64.30	31-28cpm	5.51	88-84pm	5.23
Denmark	11.93-11.96	11.93¾-11.94¾	4¾-4¼orepm	4.59	13¾-13pm	4.48
Ireland	1.1495-1.1535	1.1515-1.1525	0.40-0.35ppm	3.91	1.15-1.05pm	3.82
W. Germany	3.07-3.08	3.07-3.07½	1⅞-1⅝pfpm	6.83	5½-5⅜pm	7.08
Portugal	256.25-257.95	256.95-257.95	4-23cdis	-0.63	64-117dis	-1.41
Spain	192.20-193.10	192.30-192.60	5-7cdis	-0.37	3-16dis	-0.20
Italy	2207-2213	2206¾-2207¾	3-2lirepm	1.36	9-7pm	1.45
Norway	11.23¾-11.27¼	11.24½-11.25½	2⅞-2¼orepm	2.67	7¼-6⅝pm	2.47
France	10.37½-10.41¾	10.38-10.39	4¼-3⅞cpm	4.62	12¼-11¼pm	4.60
Sweden	10.45¾-10.48¼	10.45¾-10.46¾	1⅞-1⅝orepm	2.01	5⅛-4⅞pm	1.96
Japan	224½-226	224½-225½	1¾-1½ypm	8.67	4¾-4⅝pm	8.33
Austria	21.60-21.67	21.60-21.63	13-11gropm	6.66	36-32pm	6.29
Switzerland	2.64-2.65¼	2.64-2.65	1½-1¼cpm	6.52	4½-4¼pm	6.62
ECU	1.4820-1.4885	1.4820-1.4830	0.58-0.55cpm	4.57	1.66-1.61pm	4.41

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 64.45-64.55. Six-month forward dollar 3.90-3.85cpm 12 months 6.90-6.80cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Aug.9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6130-1.6250	1.6165-1.6175	0.67-0.65cpm	4.90	2.03-1.18pm	3.97
Ireland†	1.4015-1.4090	1.4050-1.4060	0.13-0.08cpm	0.90	0.50-0.40pm	1.28
Canada	1.1685-1.1720	1.1705-1.1715	0.34-0.37cdis	-3.64	0.99-1.04dis	-3.47
Netherlands	2.1345-2.1465	2.1420-2.1430	0.29-0.27cpm	1.57	0.81-0.77pm	1.47
Belgium	39.60-39.85	39.70-39.80	3.00-1.00cpm	0.60	5.50-3.00pm	0.43
Denmark	7.35¼-7.39¼	7.38-7.38½	0.05-0.35oredis	-0.32	0.70-1.10dis	-0.49
W. Germany	1.8925-1.9050	1.9000-1.9010	0.31-0.28pfpm	1.86	0.85-0.81pm	1.75
Portugal	158.70-159.15	158.75-158.85	60-75cdis	-5.09	230-270dis	-6.29
Spain	118.70-119.25	118.90-119.00	48-58cdis	-5.34	148-158dis	-5.14
Italy	1361-1368¾	1364¼-1365¼	3.70-4.20liredis	-3.47	11.80-12.50dis	-3.56
Norway	6.93½-6.97	6.95½-6.96	1.05-1.30oredis	-2.02	4.25-4.55dis	-2.53
France	6.40¼-6.43½	6.42-6.42½	0.09-0.14cdis	-0.21	0.45-0.60dis	-0.32
Sweden	6.45-6.48	6.46¾-6.47¼	1.50-1.65oredis	-2.92	4.80-5.05dis	-3.04
Japan	138.65-139.45	139.15-139.25	0.44-0.42ypm	3.70	1.20-1.18cpm	3.42
Austria	13.33-13.40	13.39-13.39½	2.30-1.50gropm	1.70	5.60-3.50gropm	1.36
Switzerland	1.6285-1.6400	1.6350-1.6360	0.25-0.22cpm	1.65	0.69-0.66pm	1.65
ECU	1.0890-1.0925	1.0915-1.0925	0.04-0.02cpm	0.33	0.17-0.14pm	0.57

Commercial rates taken towards the end of London trading.† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.85-39.95.

EURO-CURRENCY INTEREST RATES

Aug.9	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	13¾-13⅝	13⅞-13⅞	13⅞-13¾	13⅞-13¾	13⅞-13⅞	13⅞-13⅞
US Dollar	9¼-9	9-8⅞	8⅞-8¾	8¾-8⅝	8⅞-8⅞	8½-8⅞
Can. Dollar	12½-12¼	12¾-12¼	12⅜-12⅛	12⅛-11⅞	11¾-11½	11⅞-11⅛
D. Guilder	7⅜-7¼	7¼-7	7⅞-7⅞	7⅞-7⅞	7⅞-7⅞	7⅞-7⅞
Sw. Franc	7⅜-7¼	7½-7¼	7¾-7⅝	7⅛-7	7-6⅞	6⅞-6⅞
Deutschmark	7-6⅞	7-6⅞	7-6⅞	7-6⅞	7-6⅞	6⅞-6⅞
Fr. Franc	9⅛-9	9⅛-9⅞	9⅛-9	9⅛-9	9-8⅞	9-8⅞
Italian Lire	11-9	12¼-11¼	12⅛-11⅞	12⅛-11⅞	12⅜-12	12⅜-12
B. Fr. (Fin)	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞	8½-8⅜	8⅞-8⅞	8⅞-8⅞
B. Fr. (Con)	8¼-8	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞
Yen	5⅞-5⅞	5⅞-5⅞	5⅞-5⅞	5⅞-5⅞	5⅞-5⅞	5⅞-5⅞
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

EXCHANGE CROSS RATES

Aug.9	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.527	0.853	1.621	118.7	5.480	1.395	1.828	1164	1	33.89
B Fr.	1.556	2.517	4.783	350.2	16.17	4.117	5.393	3435	2.951	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Awaiting fresh initiative

TRADING VOLUME in the December short sterling contract continued to outstrip demand for the September contract in Liffe trading yesterday with nearly 10,000 contracts changing hands as opposed to little more than 4,000.

But interest in both dates remained minimal, with volume reduced by the lack of any fresh economic data and the current holiday season. The September contract was confined to a four tick trading range while the more popular December delivery only managed a variation of 10 ticks.

US Treasury bond futures were lower as investors squared positions ahead of the $9.75bn 10-year US Treasury note auction, due after the close of business in London. The weaker tone was accentuated to some extent by the lack of any clear ideas in the market as to how much response the auction will attract. The September US bond future in London opened at 98-01 and fell to 97-24, down from 98-02 on Tuesday.

West German Government bond futures traded over 19,000 lots in the September contract as prices were marked up on a softer cash market. Interest rates moved down slightly after the Bundesbank provided sufficient liquidity to meet the market's day-to-day needs. The September futures contract closed at 95.57 from 95.53, having touched a high of 95.69.

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
93	3-63	4-12	0-01	0-14
94	3-00	3-23	0-02	0-25
95	2-03	2-39	0-05	0-41
96	1-12	1-61	0-14	0-63
97	0-33	1-26	0-35	1-28
98	0-12	1-00	1-14	2-02
99	0-04	0-43	2-06	2-45

Estimated volume total, Calls 735 Puts 781
[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
92	5-49	6-01	0-01	0-25
94	3-51	4-22	0-03	0-46
96	1-59	2-58	0-11	1-18
98	0-37	1-51	0-53	2-11
100	0-08	1-01	2-24	3-25
102	0-02	0-37	4-18	4-61
104	0-01	0-18	6-17	6-42

Estimated volume total, Calls 220 Puts 0
[illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9400	1.57	1.84	0.00	0.25
9450	1.09	1.47	0.02	0.38
9500	0.63	1.14	0.06	0.55
9550	0.28	0.86	0.21	0.77
9600	0.09	0.62	0.52	1.03
9650	0.02	0.44	0.95	1.35
9700	0.00	0.30	1.43	1.71

Estimated volume total, Calls 413 Puts 355
[illegible]

LIFFE £/$ OPTIONS £25,000 (cents per £1)

[illegible]
[illegible]

LIFFE EURODOLLAR OPTIONS $1m points of 100%

[illegible]
[illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

[illegible]
[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100%; 7-10 YEAR 9% NOTIONAL GILT £50,000 32nds of 100%; US TREASURY BONDS 8% $100,000 32nds of 100%; 6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100%; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%; THREE-MONTH STERLING £500,000 points of 100%; THREE-MONTH EURODOLLAR $1m points of 100%; THREE-MONTH EUROMARK DM 1m points of 100%; FT-SE 100 INDEX £25 per full index point

[illegible]
[illegible]

Estimated volume 2143 (2550)
Previous day's open int. 19092 (18696)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6170	1.6104	1.5970	1.5783	1.5485

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%; U.S. TREASURY BILLS (IMM) $1m points of 100%; JAPANESE YEN (IMM) Y12.5m $ per Y100; DEUTSCHE MARK (IMM) DM125,000 $ per DM; SWISS FRANC (IMM) SFr 125,000 $ per SFr; THREE-MONTH EURODOLLAR (IMM) $1m points of 100%; STANDARD & POORS 500 INDEX $500 times index

[illegible]
[illegible]

STERLING (IMM) Se per £

	Latest	High	Low	Prev.
Sep	1.6078	1.6098	1.6066	1.6150
Dec	1.5884	1.5894	1.5876	1.5958
Mar	1.5730	1.5750	1.5730	1.5776

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
1.575	3.90	4.55	4.89	5.38	0.02	1.25	2.03	3.48
1.600	1.72	2.92	3.39	4.04	0.17	2.20	2.99	4.73
1.625	0.32	1.92	2.24	2.93	1.28	3.36	4.40	6.20
1.650	0.07	1.03	1.50	2.07	3.32	5.07	6.07	7.85
1.675	0.01	0.52	0.92	1.53	5.76	17.05	7.97	9.67
1.700	-	0.22	0.51	1.04	8.25	9.23	10.04	11.64
1.725	-	0.08	0.26	0.67	10.75	11.55	12.26	13.73

Previous day's open int: Calls 427,908 Puts 391,865 (All currencies)
Previous day's volume: Calls 28,580 Puts 9,991 (All currencies)

BASE LENDING RATES

	%		%		%
ABN Bank	14	Clydesdale Bank	14	NatWestminster	14
Adam & Company	14	Comm. Bk. N. East	14	Northern Bank Ltd	14
AAB - Allied Arab Bk	14	Co-operative Bank	*14	Norwich Gen. Trust	14
Allied Irish Bank	14	Coutts & Co	14	PRIVATbanken Limited	14
● Henry Ansbacher	14	Cyprus Popular Bk	14	Provincial Bank PLC	15
Associates Cap Corp	14	Dunbar Bank PLC	14	R. Raphael & Sons	14
Authority Bank	14	Duncan Lawrie	14	Roxburghe G'rantee	14½
● B & C Merchant Bank	14	Equatorial Bank plc	14	Royal Bk of Scotland	14
Bank of Baroda	14	Exeter Trust Ltd	14½	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	Financial & Gen. Bank	14	● Smith & Williamson Secs.	14
Bank Hapoalim	14	First National Bank Plc.	15	Standard Chartered	14
Bank Credit & Comm	14	● Robert Fleming & Co.	14	TSB	14
Bank of Cyprus	14	Robert Fraser & Ptnrs.	14½	United Bk of Kuwait	14
Bank of Ireland	14	Girobank	14	United Mizrahi Bank	14
Bank of India	14	● Guinness Mahon	14	Unity Trust Bank Plc	14
Bank of Scotland	14	HFC Bank plc	14	Western Trust	14
Banque Belge Ltd	14	● Hambros Bank	14	Westpac Bank Corp.	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Whiteaway Laidlaw	14
Benchmark Bank PLC	14	● Hill Samuel	§14	Yorkshire Bank	14
Berliner Bank AG	14	C. Hoare & Co.	14		
Brit Bk of Mid East	14	Hongkong & Shangh	14		
● Brown Shipley	14	● Leopold Joseph & Sons	14		
Business Mtge Tst	14½	Lloyds Bank	14		
CL Bank Nederland	14	Meghraj Bank Ltd	14		
● Charterhouse Bank	14	McDonnell Douglas Bnk	14		
Citibank NA	14	Midland Bank	14		
City Merchants Bank	14	Mount Banking	14		
		Nat Bk. of Kuwait	14		

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EUROPEAN OPTIONS EXCHANGE

Series		Aug. 89 Vol	Aug. 89 Last	Nov. 89 Vol	Nov. 89 Last	Feb. 90 Vol	Feb. 90 Last	Stock
Gold C	$380	20	0.70	68	8	1	17	$365.20
Gold C	$390	-	-	124	5.50	20	11.50	$365.20
Gold P	$370	82	6	-	-	-	-	$365.20
Gold P	$380	115	16	4	15.90	2	17.40	$365.20
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS : 67,390
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Sharper yield curve

INTEREST RATES continued to lose ground at the longer end of the London money market yesterday, reflecting a growing optimism that bank base rates may be reduced towards the end of this year, or possibly the early part of next year.

Short term rates remained steady, however, as the Bank of England moved to contain downward pressure at the near end. Rates were held up as the authorities refrained from taking out a shortage of day to day liquidity, and while the one-year interbank rate fell to 13¼-13⅛ per cent from 13⅜-13¼, the three-month rate was virtually static at 13⅞-13⅞ per cent from 13⅞-13⅞.

UK clearing bank base lending rate 14 per cent from May 24

The Bank of England forecast a shortage of around £100m which it later revised to a £50m shortage. Factors affecting the market included bills maturing in official hands and a take-up of Treasury bills, together with the repayment of any late assistance draining £252m. There was also a rise in the note circulation of £110m and banks brought forward balances £100m below target. There was no assistance given by the authorities in the morning or afternoon.

In Frankfurt, the Bundesbank allocated a total of DM19bn at its latest 35-day sale and repurchase tender at rates of discount between 6.65 and 6.90 per cent. A total of DM51.3bn was bid for and successful applicants receive their allocations today, coinciding with a maturing facility also of DM19bn.

Short-term interest rates were a little lower after the announcement, with liquidity expected to remain in good supply. However, there appears to be little prospect of a change in official policy on rates, and the good supply of funds is regarded as a technical move to satisfy demand rather than an indication of policy change.

In Paris, the Bank of France left its money market intervention rate unchanged at 8.75 per cent when adding funds through a sale and repurchase agreement. A total of FFr83bn was added to the market, more than offsetting a maturing agreement of FFr72.2bn. Around 47 per cent of all bids were allotted.

In New York, overnight Federal funds were quoted at 9⅛ per cent compared with 8⅞ on Tuesday but the US Federal Reserve refrained from adding temporary reserves. This was not regarded as a change in policy but more a reflection of technical distortions on the last day of the accounting period when commercial banks bid up for funds in order to meet their minimum reserve requirements with the Fed.

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug.9) 3 months US dollars		6 months US Dollars	
bid 8⅝	offer 8¾	bid 8⅝	offer 8⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	10½	One month	7.98	Three year	7.97
Broker loan rate	10	Two month	8.23	Four year	7.95
Fed.funds	9⅛	Three month	8.20	Five year	7.96
Fed.funds at intervention	-	Six month	8.04	Seven year	7.98
		One year	8.08	10-year	8.04
		Two year	7.99	30-year	8.10

Aug.9	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.80-6.90	6.80-6.95	6.80-6.95	6.80-6.95	6.80-6.95	7.00
Paris	9⅛-9¼	9-9⅛	9-9⅛	9-9⅛	8⅞-9⅛	8.75
Zurich	6⅞-6⅞	7-7⅛	-	6⅞-7⅛	-	-
Amsterdam	7.12-7.25	7.12-7.22	-	7.10-7.20	-	-
Tokyo	5⅞-5⅛	5⅞-5⅞	-	5⅞-5⅞	-	-
Milan	12⅛-12½	12½-13	-	12½-13	-	-
Brussels	7.45	8⅞-8⅞	-	8⅞-8½	-	-
Dublin	9½-9¾	9⅞-9⅞	9¾-10	9⅞-10⅛	10-10¼	-

LONDON MONEY RATES

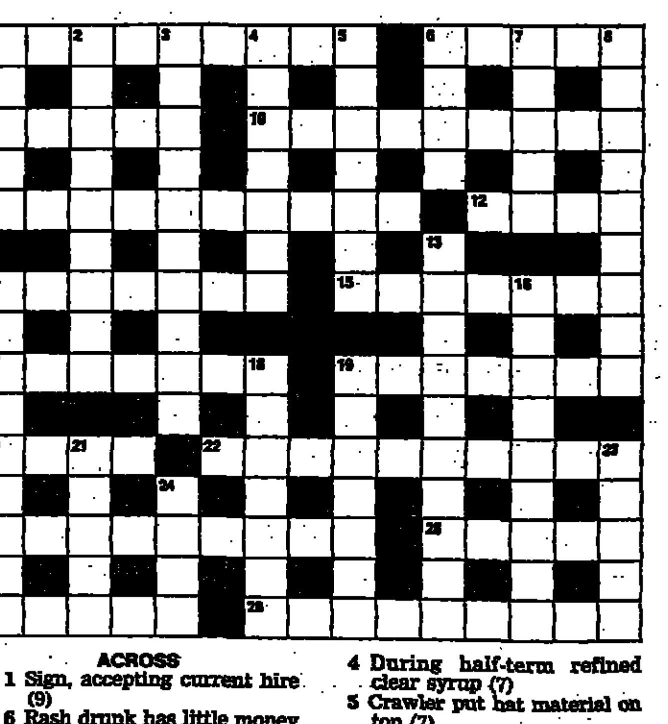
Aug.9	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	13⅞	13⅞	13⅞	13⅞	13⅞	13¼
Interbank Bid	8	13⅞	13¾	13⅞	13⅞	13⅛
Sterling CDs	-	-	13⅞	13⅞	13⅞	13¼
Local Authority Deps.	13½	13⅝	13⅝	13¼	13⅞	13⅛
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	13½	13¾	13⅝	13½	-	-
Company Deposits	-	-	13¾	13⅞	13⅝	13¼
Finance House Deposits	-	-	13⅞	13⅞	13⅝	13¼
Treasury Bills (Buy)	-	-	13⅞	13⅞	-	-
Bank Bills (Buy)	-	-	13¾	13⅞	12⅞	-
Fine Trade Bills (Buy)	-	-	14⅛	13⅞	13⅞	-
Dollar CDs	-	-	8.80	8.65	8.50	8.40
SDR Linked Dep Offer	-	-	8⅞	8⅞	8⅞	8⅛
SDR Linked Dep Bid	-	-	8⅛	8⅛	8⅞	8
ECU Linked Dep Offer	-	-	9¼	9⅜	9⅜	9¼
ECU Linked Dep Bid	-	-	9⅛	9⅛	9⅛	9⅛

Treasury Bills (sell); one-month 13⅞ per cent; three months 13⅞ per cent; Bank Bills (sell): one-month 13⅞ per cent; three months 13⅞ per cent; Treasury Bills; Average tender rate of discount 13.3002 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July.31, 1989. Agreed rates for period August 26,1989 to September 25, 1989, Scheme I: 14.80 p.c., Schemes II & III: 15.23 p.c. Reference rate for period July.1 to July.31, 1989, Scheme IV&V: 13.984 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14½ from August.1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9½ per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-twelve months 11 per cent; Under £100,000 9½ per cent from December 1,1988. Deposits withdrawn for cash 5 per cent.

JOTTER PAD

CROSSWORD

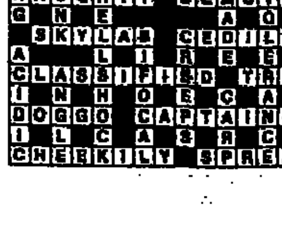
No.7,008 Set by GRIFFIN



ACROSS
1 Sign, accepting current hire (9)
6 Rash drunk has little money for bitter (5)
9 College head, if he becomes principal (5)
10 Page One is about spying (9)
11 Furious PC at police assembly (10)
12 Some nasty ear or eye trouble (4)
14 Weather cold and I'm slow to come round (7)
15 Clear disreputable bar, returning around ten (7)
17 Pam heard why, in hospital, it's punishment (7)
19 Cheat failure without fear, working on (7)
20 Said I owe volunteers a very small amount (4)
22 Projectile with which raider shot soldier (10)
25 Outside broadcast on Sioux organisation is offensive (9)
26 Upset nude model, quietly entering (5)
27 She takes key to church back in first (5)
28 One obeying doctor's orders? (9)

DOWN
1 Ring company accountant about drink (5)
2 Say I'm into uncontrolled hostility (9)
3 Connected with data file if replaced (10)
4 During half-term refined clear syrup (7)
5 Crawler put hat material on top (7)
6 Erected excellent notice (4)
7 Expect a head waiter on a small island (5)
8 Stopped parking on grass outside exit (9)
13 If some turn over it will be a calamity (10)
14 Goat, when first caught, can rip or chew up (9)
16 They inspect cutter rejected by colliers (9)
18 War Office fellow notified about double (7)
19 Degrades bachelors, raising children without (7)
21 Colour of can standing up, say (5)
23 Free ruler for cyclist? (5)
24 Something which carries revolvers (4)

Solution to Puzzle No.7,007



WORLD STOCK MARKETS

CANADA

TORONTO

2pm prices August 9

f—No voting rights or restricted voting rights.

INDICES

NEW YORK — DOW JONES

	Aug 8	Aug 7	Aug 4	Aug 3	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2699.17	2694.99	2653.45	2661.61	2699.17 (8/8)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	93.62	93.84	93.83	94.13	94.15 (2/8)	87.35 (23/3)	–	–
Transport	1355.80	1344.06	1250.00	1266.89	1355.80 (8/8)	959.95 (3/1)	1355.80 (8/8/89)	12.32 (8/7/32)
Utilities	221.64	221.52	218.18	218.81	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2718.51 (2701.82) Low 2676.97 (2643.59)

STANDARD AND POOR'S	Aug 8	Aug 7	Aug 4	Aug 3	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	349.35	349.41	343.92	344.74	349.41 (7/8)	275.31 (3/1)	349.41 (7/8/89)	4.40 (1/6/32)
Industrials	399.67	399.26	393.14	393.62	399.67 (8/8)	318.66 (3/11)	399.26 (7/8/89)	3.62 (21/6/32)
Financial	33.40	33.59	33.20	33.05	33.59 (7/8)	24.30 (3/1)	33.59 (7/8/89)	8.64 (1/10/74)
NYSE Composite	194.23	194.19	191.64	192.09	194.23 (8/8)	154.98 (3/1)	194.23 (6/8/89)	4.46 (25/4/42)
Amex Mkt. Value	380.96	379.18	376.10	376.82	380.96 (8/8)	305.24 (3/1)	380.96 (8/8/89)	29.31 (9/12/72)
NASDAQ Composite	463.30	461.73	457.42	456.93	463.30 (8/8)	378.56 (3/1)	463.30 (8/8/89)	54.87 (31/10/72)

	Aug 4	July 28	July 21	year ago (approx.)
Dow Industrial Div. Yield	3.41	3.44	3.47	3.53
	Aug 2	July 26	July 19	year ago (approx.)
S & P Industrial div. yield	3.28	2.90	2.92	3.12
S & P Indl. P/E ratio	14.43	14.22	14.10	14.10

TRADING ACTIVITY † Volume Millions

	Aug 8	Aug 7	Aug 4
New York	197.795	198.577	169.750
Amex	15.923	13.025	14.096
OTC	160.271	135.246	133.671

NEW YORK	Aug 8	Aug 7	Aug 4
Issues Traded	1,998	1,979	1,986
Rises	826	1,056	636
Falls	695	451	849
Unchanged	477	472	501
New Highs	209	210	146
New Lows	7	12	13

CANADA

TORONTO	Aug 8	Aug 7	Aug 4	Aug 3	1989 High	1989 Low
Metals & Minerals	3749.6	(c)	3630.7	3654.5	3749.6 (8/8)	3207.5 (3/1)
Composite	4013.9	(c)	3985.2	3981.0	4013.9 (8/8)	3350.5 (6/1)
MONTREAL Portfolio	2033.87	2031.34	2017.66	2018.67	2033.87 (8/8)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Pan Am	2,661,000	4¼	+ ¼
IBM	2,648,200	118¼	+ ⅞
USX	2,321,600	35	- ⅛
Union Carbide	2,311,200	29⅛	+ ¼
Varity	2,130,400	2⅞	....
Wal-Mart	2,049,100	41⅜	− 1⅛
Bristol Myers	1,890,800	47¼	....
Eastman Kodak	1,880,900	49	+ 1⅞
UAL	1,824,600	219¼	+ 8½
Gen Electric	1,764,200	58½	− ½

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Aug. 9	Aug. 8	Aug. 7	Aug. 4	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1695.3	1699.0	1680.0	1670.9	1699.0 (8/8)	1412.9 (7/4)
All Mining (1/1/80)	788.8	789.6	782.0	781.7	789.6 (8/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	390.83	390.73	382.18	378.87	390.83 (9/8)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6310.09	6272.27	6287.64	6272.30	6310.09 (9/8)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	338.74	345.66	349.43	351.29	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	766.4	771.9	775.4	780.3	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	506.5	502.5	502.6	504.7	506.8 (3/8)	417.9 (4/1)
Ind. Tendance (30/12/88)	121.9	121.3	120.1	120.9	122.4 (28/7)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	659.66	660.48	653.49	653.14	660.48 (8/8)	535.78 (27/2)
Commerzbank (1/12/53)	1975.9	1979.7	1956.4	1957.5	1979.7 (8/8)	1595.7 (27/2)
DAX (30/12/87)	1608.71	1603.59	1592.03	1590.30	1608.71 (9/8)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2627.31	2607.94	2563.77	2579.07	3309.64 (15/5)	2093.61 (5/6)
ITALY						
Banca Com. Ital. (1972)	703.94	701.19	701.37	697.05	703.94 (9/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	34859.27	34759.48	34630.38	34741.9	34953.87 (31/7)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2643.91	2624.70	2615.48	2613.27	2643.91 (9/8)	2366.91 (6/1)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	264.5	263.9	262.8	261.7	264.5 (9/8)	208.3 (3/1)
CBS All Shr (End 1983)	205.9	205.4	204.5	203.7	205.9 (9/8)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	632.70	625.83	629.00	627.52	668.90 (14/7)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	(c)	1361.76	1351.74	1349.18	1372.29 (31/7)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1656.0‡	1663.0	1657.0	1678.0	1685.0 (3/8)	1291.0 (15/2)
JSE Industrial (28/9/78)	2754.0‡	2747.0	2743.0	2748.0	2754.0 (9/8)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	311.81	311.29	309.78	308.76	315.90 (13/6)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4512.0	4485.0	4483.6	4489.9	4512.0 (9/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	821.7	810.0	801.2	792.5	821.7 (9/8)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	547.4	543.7	542.0	551.2 (3/8)	487.6 (13/6)

‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday August 9 1989

	Stocks Traded	Closing Prices	Change on day
Daiwa House	23.25m	2,710	+30
Nippon F&M	18.29m	1,480	+20
Sumitomo R&D	14.74m	2,220	+30
Nippon Steel	10.19m	850	-5
Kao	8.72m	1,880	+60
Daikyo	7.28m	4,230	+70
Fuji Film	6.87m	4,350	-50
Toshiba	6.18m	1,350	+10
Canon	6.05m	1,820	+10
Pioneer	5.84m	3,960	+110

3pm prices August 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
33⅞	21¾	AAR	.44	1.3	21	305	33⅞	33	33	– ¼
10⅛	8⅞	ACM n	1.01	11.		114	9⅝	9⅞	9⅞	– ⅛
11⅞	10¼	ACMIn	1.26a	11.		392	11½	11⅜	11⅜	
10⅛	8½	ACM M	nf 01	11.		184	9¼	9⅛	9¼	
11½	10	ACM Sc	1 26	11.		853	11⅜	11¼	11¼	– ⅛
9½	8⅝	ACMSp	1 07	11.		659	9⅜	9¼	9¼	– ⅛
18	10⅞	AL Leb	.12	.7	18	76	17	16½	16⅝	– ⅛
4⅛	3⅛	AMCA	.12e	3.1	28	16	4	3⅞	3⅞	– ⅛
6⅛	4½	AM Intl				368	5¼	5⅛	5¼	
23½	20⅞	AM In pf	2	9.1		32	22	21⅞	21⅞	
74	40⅞	AMR			9	16081	u79	74½	78⅝	+4⅛
6½	3⅝	ARX				62	4¼	4⅛	4⅛	
44⅛	35¼	ASA	3a	7.0		249	43¼	42⅞	42⅞	– ⅛
22⅛	15¼	AVX	.24	1.2	9	384	20⅜	19	20⅜	+1⅛
66	43¾	AbtLab	1.40	2.2	18	2389	63⅞	62⅝	63	– ⅝
18¼	13⅞	Abitibi g	1			166	14⅞	14⅝	14⅞	+ ⅛
13	7½	AcmeC	.40	3.4		35	11¾	11⅝	11⅝	– ⅛
8⅝	5⅞	AcmeE	.32	3.9	19	8	8¼	8	8¼	+ ⅛
34⅞	20¼	Acuson			23	297	32⅞	32¼	32¼	– ⅛
16⅞	14¼	AdaEx	1.83e	11.		141	16⅝	16½	16⅝	+ ⅛
13¼	7¼	AMD				881	8⅞	8⅝	8⅞	
38¼	28¾	AMD pf	3	9.6		33	31⅞	30⅞	31⅛	+ ½
11⅞	6½	Adobe				758	11¼	10⅞	11	
19⅞	16½	Adob pf	1 84	9.9		48	18⅝	18½	18½	– ⅛
21⅞	19⅞	Adob pf	2.40	11.		1	21	21	21	– ⅛
9½	6⅞	Advest	.12	1.3	16	548	9¼	8⅞	9⅛	+ ⅛
60⅛	46	AetnLf	2.76	4.6	9	6833	60	59¼	59⅞	– ⅛
14	12⅛	AfilPb				753	13½	13¼	13⅜	– ⅛
23¼	14⅝	Ahmans	.88	3.8	11	x2769	23½	23	23	– ¼
4⅝	2¼	Aileen				24	2½	2½	2½	
48⅞	37¼	AirPrd	1.32	2.8	12	1639	u48¼	47¾	48	
34¼	15½	AirbFrt	.60	1.8	21	x223	33	32½	32¾	– ⅛
25⅛	13⅞	Airgas			15	75	24⅞	24½	24¾	+ ⅛
20½	17⅞	Airlease	2.40	12.	9	49	20⅛	19⅞	20	– ⅛

Continued on Page 41

مكتبة من الأصل

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
69	51¾	Xerox	3	4.4	18	8153	68½	67½	68¼	+ ⅝
48¼	44½	Xerox pf4.13		8.8		1	47	47	47	− ¼
44¼	29¾	XTRA	.72	2.3	9	164	30⅞	30½	30⅞	+ ⅜
33	24½	XTRA pf1.94		7.5		2	25¾	25¾	25¾	+ ⅛
4⅛	2	Zapata				858	3½	3⅜	3⅜	
15½	10½	Zemex	.40	3.7	121	11	10⅞	10⅝	10⅞	+ ⅛
22⅝	16¼	ZenithE				719	17¼	16⅞	17	
10⅜	8⅞	Zeninc	1.26	14.		43	9⅜	9¼	9¼	
2¾	1⅛	vjZenLb				574	1⅜	1¼	1¼	+ ⅛
20¼	15	ZenNtl	.84	4.3	9	8	19½	19⅜	19½	− ⅛
22⅝	14¼	Zero	.50	2.3	17	220	22⅝	21⅞	22	− ⅜
44¼	21	Zurnin	.88	1.5	20	884	42¾	41	41⅜	−1⅛
12	10	Zweig	1.08e	9.3		311	11⅞	11¾	11⅝	− ⅛
10⅛	8¼	Zweig n	.96	9.8		1480	9¾	9½	9¾	+ ⅛

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the *latest declaration.*

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. *k-dividend declared or paid this year, an accumulative* issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices August 9

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
ProMed	.42	10	5	3⅞	3⅞	3⅞	+ ⅛
ProlCre		14	79	6¼	6⅛	6¼	+ ⅛
− R − R −							
RBW		13	5	7⅛	7⅛	7⅛	− ⅛
Ragan	.12		6	23	23	23	− ⅛
Riedel		18	24	14½	14⅜	14⅜	− ⅛

OVER-THE-COUNTER

Nasdaq national market, 3pm prices August 9

Stock	Div.	Sales 100s	High	Low	Last	Chng
Wolohn	.28	9 2	17¾	17¾	17¾	+ ½
WlvEx h		37	8	7¾	7¾	
Worthg	.48	16 469	24⅝	24½	24⅝	
Wyman	.80	150 173	18	17¾	18	+ ⅛
− X − Y − Z −						
XL Dta s		18 538	24¾	24	24	− 1
YOMA		682	18¾	18½	18¾	+ ¼
Xicor		10 487	6⅝	6½	6½	
YelowF	.76	11 3155	30⅞	29⅞	30⅝	+1⅛
ZionUt	1.44	57	27⅝	27	27½	
Zycad		19	2⅞	2⅝	2⅞	

FINANCIAL TIMES Thursday August 10 1989

AMERICA

Prospect of all-time high puts equities on defensive

Wall Street

THE PROXIMITY to an all-time high for the Dow Jones Industrial Average not surprisingly put the equity market on the defensive again yesterday, *writes Janet Bush in New York.*

The Dow peaked during morning trading with a gain of around 16 points at about 2,715 compared with its all-time closing high on August 25, 1987, of 2,722.42. However, the index then slipped back to be quoted 5.31 points higher at 2 pm at 2,704.48.

In early afternoon trading, the Dow looked comfortable just above the 2,700 level, a resilient performance given the extent and rapidity of its rally recently. Trading was again heavy with 132m shares changing hands by midsession as buying and profit-taking were evenly balanced.

The Dow Jones Transportation Average was again the star performer, surging 41.61 points to 1,397.40, compared with its peak in August 1987 of 1,101.16. UAL again held the key to this index's powerful rise as reports emerged that the bid by investor Mr Marvin Davis for the airline is worth $240 a share or $5.4bn.

UAL jumped another $18¼ to $237 at midsession and encouraged healthy rises in other airline stocks. AMR, the parent company of American Airlines, added $2⅞ to $76⅞, and Delta rose $2¾ to $79¼.

The rally in the transportation index was encouraged by a strong performance by trucking stocks. Consolidated Freightways rose $1⅛ to $33½ and Roadway Services gained $1 to $38 on the over-the-counter market.

The question of when the Dow Jones Industrial index will reach its all-time high is dominating attention in the equity market. After Monday's substantial and broadly-based rise, the market has struggled to build on its rally.

However, there has been no sign of significant selling pressure. Trading volume on the New York Stock Exchange has shot up this week, evidence that profit-taking has been compensated for by continued buying.

The early rise yesterday came partly because of a round of programmed stock index arbitrage, but there has also been evidence of aggressive institutional buying.

One factor keeping stocks on the defensive was the setback in the bond market, which is starting to struggle to absorb this week's enormous supply of new paper and the prospect of even more supply related to the rescue of thrifts.

The publication of the US Federal Reserve's latest Tan Book of regional economic reports did not appear to have much impact on either stock or bond markets. The report, covering the period up to August 1, confirmed what has been obvious for some time – that economic growth is continuing but has weakened.

Paramount Communications jumped $5¼ to $64⅞ after a US press report that a group led by Mr Charles Dolan, head of Cablevision Systems, had acquired a stake in the company and might seek control.

Michaels Stores gained $⅞ to $9¾ on the American Stock Exchange after the company accepted an offer of cash and stock valued at $12 a share by Grauer & Wheat Investments and Acadia Partners.

On the over-the-counter market, GTECH added $⅝ to $15⅞ having accepted a management-led leveraged buy-out for $16⅝ a share.

Canada

PROFIT-TAKING pulled Toronto stocks lower, but the composite index managed to hold above the 4,000 level.

It eased 3.0 to 4,010.9 in volume of 15m shares.

Happiness of long-distance broker

Roger Matthews on an economic refugee at home in Thailand

MARK Greenwood gives every indication of being one of the world's happier brokers.

Born and brought up in Manchester, in northern England, a law graduate from the city's university, a 1977 refugee from Britain's economy under Denis Healey and the International Monetary Fund, he has adopted Bangkok and Thailand with the enthusiasm of a man who believes he has seen the future and is already part of it.

It does help to have a touch of missionary zeal when getting to grips with Thailand. It can help to offset the daily frustrations of traffic, pollution and heat and to prevent Thailand's obvious structural weaknesses from obscuring the vision of what the country might be like at the turn of the century.

For Mark Greenwood it means that Thailand's industrial, agricultural and by then financial muscle, will be supporting a stock market with a larger capitalisation than Singapore and Malaysia, and which may also have overtaken Hong Kong.

As the first foreign broker in Bangkok when he set up the local research office of Crosby Securities in 1987, Mr Greenwood sees a large part of his job as explaining and promoting Thailand to the outside world, the more so since last month he moved across with

BROKERS' WORLD

four colleagues to First Pacific Asia Securities (Thailand), a majority Thai-owned firm, with a newly-acquired seat on the Securities Exchange of Thailand.

"The 55.2m baht ($2.17m) paid for that seat will come to be seen as one of the most screamingly cheap bargains in stock exchange history," he says. "Especially as it can be predicted that by the end of the century the market capitalisation will be in the $130bn-$150bn range, some 10 times bigger than now. Thailand will have one of the biggest exchanges in Asia, eclipsing the nearest regional ones."

It is a bold assertion to make about a country where until recently it was not permitted for a broker to issue a written "buy" or "sell" recommendation, where dealing is limited to two hours a day, where there are strict limits on foreign participation, and where research is still in its infancy.

These characteristics also help to shape the brokers' day, largely freeing them from watching the market, apart from the couple of hours before noon, but placing a considerable emphasis on personal contacts.

Mr Greenwood's day usually begins at 6.30 am, followed soon after by a bacon, lettuce and tomato sandwich washed down by coconut milk, the first office meeting of the day with his researchers at 7.30 am and the first call to First Pacific Securities in Hong Kong at about 8.15 am.

"The life of a broker here is very much tied to the international investment community. Quite often most of my day can be involved with a single client who could be a British unit trust manager, a Japanese fund manager, or a Swiss banker. I try to help them be better informed about the market and introduce them to a variety of people here."

He says the pace can be physically punishing because visitors' interest in Bangkok is rarely confined to its developing capital market.

The foreign broking community, now just into double figures, has received a generally warm welcome in Thailand, he says. In part it may be because they are not seen as a threat, or as part of a wider scheme by foreigners to gain control of local companies.

Mark Greenwood: missionary zeal for the Thai market

Thailand maintains strict regulations on the levels of foreign equity participation, which Mr Greenwood favours. "It removes any fear that we might be trying to take over especially as the market here is still so relatively small, and in the long run it will be to the advantage of the foreigners," he says.

It is also inevitable, he believes, that foreign brokers will also take on the role of training young Thais entering the business, especially in research. "What will really sort the men from the boys here will be the quality of research," he says. "Now that the legal restraints to good quality research have been removed there cannot be any more excuses. As a firm I know that the quality of our research will make us or break us."

As for the problems of being a broker in Bangkok, there do not seem to be too many, at least for public airing. Lack of stock was cited, as was a phone system "which leaves quite a lot to be desired" but nothing that would dent his confidence that he would be resident in Thailand for a long time.

In mid-April he forecast (cautiously, he says) that the SET index would break through the 600 barrier by the end of the year. It did so with half the year still to run. Now the Greenwood forecast is that it will hit 1,000 next year, provided there is no world recession and continued political stability in Thailand. He would probably have liked to say 1,100 or even 1,200.

EUROPE

Hostile bid sets French insurance sector buzzing

FRENCH insurance shares soared on takeover news while most other bourses remained in peak condition, *writes Our Markets Staff*.

PARIS regained its speculative fervour as Suez's FFr19.5bn bid for Compagnie Industrielle, the main shareholder in Groupe Victoire, set the insurance sector alight.

Insurance-related stocks climbed sharply on the hostile bid, described by one brokerage as "very good news for the French market." But the broader bourse ended only slightly better yesterday, with the high level of prices and holidays next Monday and Tuesday keeping a lid on excitement.

Suez, which already holds 30 per cent of Victoire, closed FFr13.50 down at FFr355.50 after hitting a low of FFr345.50. It launched its hostile bid claiming that it was being pushed aside in the arrangements for financing Victoire's deal to buy control of West German insurer Colonia. Suez's banking rival Paribas gained FFr5 to FFr518 amid speculation that it might join a possible counter-bid involving Mr Jean-Marc Vernes, chairman of Industrielle, and Ferruzzi of Italy.

Trading was suspended in Industrielle and Victoire, in which the former has a 40 per cent stake, but the FFr13,000 a share bid set off a re-evaluation of other insurance companies.

Drouot, a subsidiary of the Axa-Midi insurance group, soared FFr83, or nearly 18 per cent, to FFr554; one analyst said it was likely Drouot would become the holding company for all the insurance businesses of Axa-Midi. Midi rose FFr57 to FFr1,442.

Eurafrance, a holding company of the Lazard group which is active in insurance, jumped FFr175, or 10 per cent, to FFr1,928, while Navigation Mixte, seen as one of the few other potential takeover candidates in the sector, rose FFr70 to FFr1,135.

La Hénin, a property company in which Suez has a large stake, jumped FFr38 to FFr640 on speculation that it might be sold to finance the Victoire bid; Centenaire Blanzy, a holding company which owns 16 per cent of Industrielle, gained FFr152 to FFr3,952.

Turnover was swelled by the bid activity, reaching an estimated FFr2.8bn. The OMF 50 index ended 1.02 higher at 511.93 while the CAC 40 was up 3.05 at 1,820.85.

Elsewhere, Pernod Ricard, which has agreed to sell its Coca-Cola bottling company back to Coca-Cola for FFr890m, below some expectations, dropped FFr25 to FFr1,450.

FRANKFURT started the session in uncertain mood, but picked up later to close at a further year's high.

An absence of direction from Wall Street and the dollar contributed to the slow start, before demand for blue chips propelled the market upwards. The DAX index reached its fourth year's high in a row, adding 5.12 to 1,608.71. The FAZ index eased 0.82 to 659.66. Turnover was a busy DM5.7bn.

Everybody was now expecting a consolidation phase, said one observer. "We see blue chips, especially Deutsche Bank and Daimler, as a little overheated," she said.

Cars and utilities firmed in active trading. BMW gained DM16.50 to DM620; at the end of the session, it reported a 14 per cent rise in first-half profits and predicted satisfactory earnings for the full year.

Engineering company Linde had another strong day, rising DM13.50 to DM812. An analyst said Linde and smaller machinery companies were being seen as takeover candidates in the run-up to the single European market in 1992.

Consumer-related stocks were firm on news of a 3.6 per cent year-on-year rise in June retail sales.

MILAN rose to a post-crash peak in active turnover as investors adjusted positions before the end of the August account on Tuesday. The Comit index added 2.75 to 703.94.

Interest in insurance issues was stirred by takeover activity in the French sector. La Fondiaria, the insurer controlled by Ferruzzi, gained L900 to L62,000. There was speculation that Compagnie Industrielle of France might seek help from Ferruzzi in fending off the bid.

ZURICH picked up across the board after a tentative opening, with advances by chemical and food issues. The Crédit Suisse index gained 7.5 to 667.4. Brown Boveri found SFr70 to SFr4,680 after Asea Brown Boveri, jointly-owned with Asea of Sweden, said pre-tax profits had risen 70 per cent in the first half.

AMSTERDAM was tipped off its highs by profit-taking, with the CBS tendency index closing 0.6 up at 197.8 on active turnover of Fl 880m.

Banking issue Amro, which had risen recently, lost Fl 1.30 to Fl 93.70 on profit-taking after reporting net profits up 24 per cent in the first half.

MADRID made its eighth consecutive gain, again supported by banking stocks, and the general index rose 0.52 to 311.81. Volume remained low at about $65m.

BRUSSELS closed a moderately active day at record highs after a mixed start turned into a sustained rally.

STOCKHOLM hit record levels in light trade with the Affärsvärlden index up 11.4 to 1,335.0.

SOUTH AFRICA

TRADING was quiet in Johannesburg where the market closed firmly. Gold issues drifted narrowly around Tuesday's levels.

ASIA PACIFIC

Stronger yen lifts Nikkei but trade stays low

Tokyo

ENCOURAGED by a healthier yen and strong performances in overseas markets, Tokyo closed higher in thin trading, *writes Yuriko Mita in Tokyo.*

After opening moderately up, the Nikkei average turned down slightly on profit-taking in mid-morning, but small-lot buying and higher bond prices helped drive share prices higher again. The Nikkei average closed at 34,859.27, tacking on 99.79 points. The high for the day was 34,861.42 and the low was 34,737.10.

A tug-of-war between index-linked buying and selling in the afternoon meant that prices moved erratically.

In the absence of institutional investors who are taking their summer vacations, volume remained low at 546m shares, although higher than Tuesday's 477m shares. Rises led falls 505 to 383 while 206 issues were unchanged.

The Topix index of all-listed shares advanced 19.21 to a year's high of 2,643.91. The ISE/Nikkei 50 index, in London trading, rose 1.19 to 2,087.22.

The market has lost some of its appeal since expectations of lower interest rates in the US receded after the announcement of US unemployment figures for July last week. Without such a prospect to look forward to, investors preferred to keep a low profile before the mid-summer holiday season.

Pharmaceuticals rose across the board, favoured for their relatively low prices. Eight pharmaceuticals managed to reach their year-highs, including Daiichi Pharmaceutical, which reached Y3,040 before closing at Y3,030, Y80 higher.

Banks rose, partly on Topix-linked buying by foreign brokers and on a stronger yen, coupled with higher bond prices. They were also sought in anticipation of large financings to be carried out by banks to comply with capital adequacy standards for international settlements. The Industrial Bank of Japan hit an all-time high of Y5,600, before closing at Y5,500, Y250 up.

Nintendo, a maker of video games, advanced to an all-time high of Y17,100. It has been popular in the wake of an announcement of a gratis share issue. It closed unchanged at Y16,800.

CSK, the largest computer software developing company, was also heavily bought on speculation that it too will carry out gratis share issues. The issue rose Y110 to Y6,290.

Housing-related issues again attracted interest, with Daiwa House the most active stock, closing at Y2,710, up Y30, on volume of 23.25m shares. Sumitomo Realty and Development was third most active, closing at Y1,480, up Y30.

In Osaka, the OSE average surged 173.32 to 34,627.46. Volume, at 70.57m shares, up on Tuesday's 53.82m.

Roundup

PROFIT-TAKING halted or restrained recent rallies in leading Asia Pacific markets. Singapore was closed for National Day.

AUSTRALIA eased on profit-taking after its recent run of seven rises. The All Ordinaries index slipped 3.7 to 1,695.3 on turnover of 69m shares worth A$233m.

BTR Nylex, the rubber products and manufacturing company which reports first-half results today, lost 18 cents to A$5.72. Hanimex retreated by 15 cents to A$2 after its directors recommended acceptance of a takeover bid from AFP and Gestetner.

NEW ZEALAND suffered from profit-taking, but foreign demand helped it climb off its session's lows. The Barclays index finished 12.11 down at 2,247.74, after falling 47 earlier. Turnover was heavy again, at 34m shares worth NZ$61m.

HONG KONG rose in uneventful trading, as the market held its breath for an announcement from Shui On and New World that did not come. The Hang Seng index added 19.37 to 2,627.31 in turnover of HK$895m, down from Tuesday's HK$1.1bn.

Demand from institutions alternated with profit-taking.

New World rose 20 cents to HK$10.50 amid rumours that it would make a hostile bid for Shui On, which was suspended on Tuesday.

TAIPEI plunged on speculation about the underground investment houses which have been under a cloud since a banking law was passed on July 11 setting penalties for firms that illegally accept deposits. The weighted index dropped 351.97, or 3.5 per cent, to 9,670.13.

SEOUL rose sharply after the finance ministry acted to smooth the way for today's listing of the state-run Korea Electric Power Corporation. It said the amount investable in stocks and bonds through the People's Stock Fund could be increased to 760bn won from 460bn won. The composite index gained 8.77 to 914.87.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY AUGUST 8 1989						MONDAY AUGUST 7 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	150.59	+2.1	137.31	130.06	+1.2	4.73	147.55	136.08	128.46	157.12	128.28	150.04
Austria (19)	139.56	+1.8	127.25	137.42	+1.1	1.77	137.03	126.38	135.94	139.56	92.84	85.30
Belgium (63)	136.37	+0.6	124.35	133.68	+0.0	4.14	135.53	125.00	133.69	137.97	125.58	111.72
Canada (124)	153.36	+1.1	139.83	130.15	+0.9	3.07	151.72	139.93	128.92	153.36	124.67	121.13
Denmark (36)	209.39	−0.5	190.92	209.25	−1.2	1.50	210.41	194.06	211.84	219.89	165.35	120.33
Finland (26)	140.05	+0.7	127.70	125.50	+0.1	2.17	139.02	128.22	126.40	159.16	125.81	127.84
France (127)	130.25	+1.5	118.76	130.65	+0.7	2.90	128.34	118.36	129.74	133.44	112.57	90.90
West Germany (100)	99.36	+1.9	90.60	97.66	+1.1	2.09	97.51	89.93	96.60	100.53	79.56	74.18
Hong Kong (49)	109.28	+2.0	99.64	109.50	+2.0	4.93	107.15	98.82	107.37	140.33	86.41	107.41
Ireland (17)	165.21	+6.3	150.64	165.22	+5.5	2.54	155.41	143.33	156.58	165.21	125.00	131.21
Italy (97)	94.99	+0.8	86.61	96.39	−0.1	2.33	94.24	86.92	96.47	94.99	74.97	70.41
Japan (455)	190.38	+0.9	173.59	166.97	+0.3	0.48	188.70	174.03	166.39	200.11	164.22	164.66
Malaysia (36)	189.69	+0.9	172.96	195.17	+0.8	2.46	188.01	173.40	193.62	190.58	143.35	154.08
Mexico (13)	267.26	+0.1	243.69	741.48	+0.1	0.68	266.90	246.16	740.63	277.40	153.32	155.24
Netherland (43)	130.53	+1.5	119.02	126.99	+0.6	4.08	128.65	118.66	126.25	130.67	110.63	106.38
New Zealand (21)	81.13	+3.7	73.98	71.93	+3.6	5.18	78.23	72.15	69.42	81.13	62.64	81.74
Norway (24)	174.29	+0.4	158.92	164.18	−0.3	1.58	173.62	160.13	164.67	198.39	139.92	118.76
Singapore (26)	168.26	+1.0	153.42	151.28	+0.9	1.87	166.60	153.66	149.98	169.43	124.57	135.79
South Africa (60)	153.31	+0.4	139.79	138.77	+0.2	3.93	152.69	140.83	138.48	153.31	115.35	113.34
Spain (43)	156.93	+1.0	143.09	141.36	+0.5	3.63	155.31	143.24	140.72	158.02	143.14	147.23
Sweden (35)	185.61	+1.8	169.24	177.23	+1.1	1.96	182.35	168.18	175.26	187.77	138.45	114.89
Switzerland (64)	93.10	+1.5	84.89	93.86	+0.8	2.01	91.76	84.63	93.18	93.10	67.81	77.68
United Kingdom (310)	157.28	+1.4	143.41	143.41	+0.3	4.06	155.04	142.99	142.99	158.41	133.28	131.43
USA (551)	142.07	+0.0	129.54	142.07	+0.0	3.20	142.07	131.03	142.07	142.07	112.13	106.69
Europe (1004)	131.47	+1.4	119.87	124.87	+0.5	3.26	129.61	119.54	124.26	132.62	112.63	104.36
Nordic (121)	172.85	+0.7	157.61	161.14	+0.0	1.77	171.59	158.26	161.08	178.38	137.95	110.10
Pacific Basin (672)	185.84	+1.0	169.45	163.39	+0.4	0.70	184.08	169.78	162.71	194.72	160.44	161.86
Euro – Pacific (1676)	164.20	+1.1	149.71	147.91	+0.4	1.54	162.39	149.77	147.26	166.98	141.56	138.87
North America (675)	142.64	+0.1	130.06	141.33	+0.1	3.20	142.55	131.47	141.25	142.64	112.79	109.35
Europe Ex. UK (694)	115.13	+1.4	104.98	113.43	+0.7	2.70	113.51	104.69	112.70	116.28	96.30	87.57
Pacific Ex. Japan (217)	131.37	+2.0	119.78	118.53	+1.6	4.51	128.76	118.76	116.72	137.65	111.93	128.07
World Ex. US (1873)	163.78	+1.1	149.33	147.45	+0.5	1.61	161.99	149.40	146.78	166.35	141.49	138.01
World Ex. UK (2114)	154.71	+0.7	141.07	145.80	+0.3	1.94	153.68	141.74	145.35	155.66	136.96	126.20
World Ex. So. Af. (2364)	154.94	+0.7	141.27	145.60	+0.3	2.12	153.80	141.85	145.16	155.92	136.67	126.73
World Ex. Japan (1969)	138.23	+0.8	126.04	134.77	+0.3	3.29	137.36	126.68	134.40	138.23	114.51	108.42
The World Index (2424)	154.93	+0.7	141.26	145.55	+0.3	2.13	153.79	141.84	145.11	155.89	136.68	126.65

Latest prices were unavailable for this edition.
Constituent changes 9/8/89: Deletions: Nan Fung Textiles (Hong Kong) and NZI Corp. (New Zealand).